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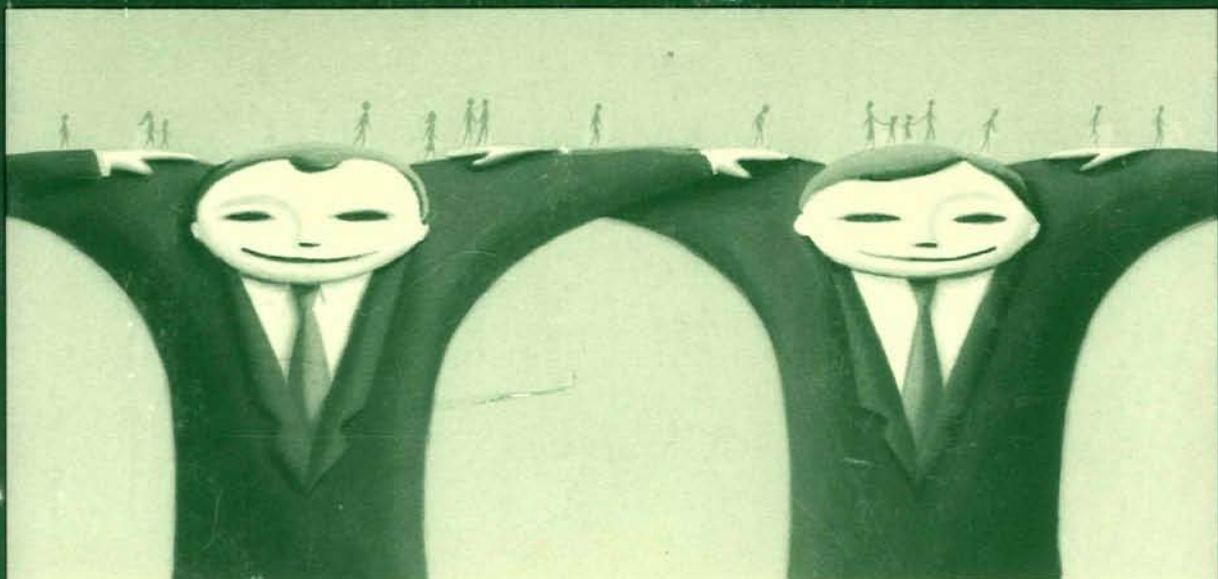
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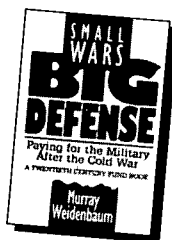
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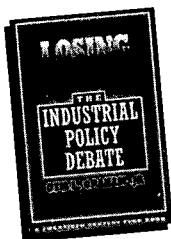
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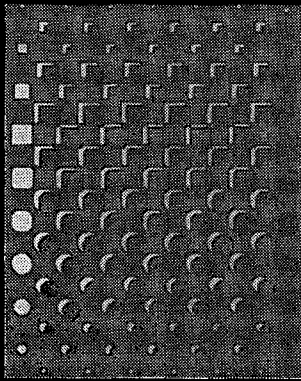
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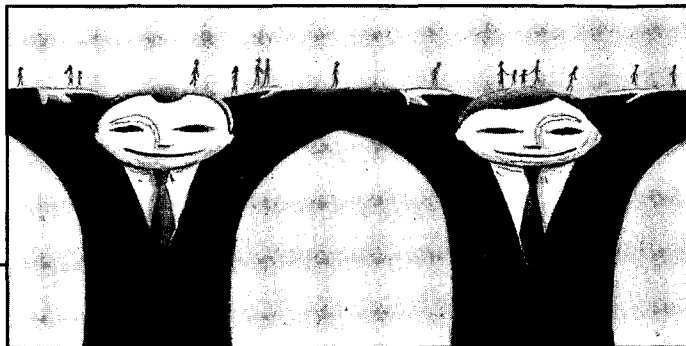
THE AMERICAN PROSPECT

A Journal
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Spring 1992

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Liberalism, Socialism, and Democracy

Robert Kuttner

What, if anything, can be usefully salvaged from the socialist tradition, now that communism lies in final disgrace? Paul Starr argued in these pages last fall that four developments—the implosion of communism, the collapse of efforts to reform communism from within, the failure of socialism in the Third World, and the shift of European socialists toward liberal policies—should persuade American liberals that socialism ought not to be part of our vision of an ideal society.

What follows is less a rejoinder than a brief for social democracy, as a tradition that loathed communism and may yet enrich liberalism. Social democracy, for at least a century, has been the domesticated form of socialism—a vaccine made of benign cultures that can inoculate against the ravages of both communism and *laissez faire*.

Social democracy, certainly, is no mechanical third way. As a worldview, it accepts private ownership and parliamentary democracy, yet retains a broadly egalitarian ethic and keeps a weather eye on the nastier tendencies of capitalism. Social democracy does not propose to supplant capitalism, but to tame it. So, in a sense, does liberalism—but the differences are telling.

Like liberalism, social democracy belongs to the tradition of a limited state based on political rights and civil and social liberties; it has no sympathy for either command planning or command politics. In our century, social democrats have also been among the most resistant to dictatorship and the most inventive in demanding that if the state is to be an engine of progress, governments must be both accountable and competent. Social democracy resists

extreme inequality but does not advocate absolute equality. Yet social democracy does go somewhat beyond liberalism as generally understood. And it does reflect some constructive influence of democratic socialism, particularly in its insistence that capitalism be understood as a system. It is this virtue that most distinguishes social democracy from liberalism, yet also makes it an important ally of liberalism.

Understanding the dynamics of how capitalism, as a system, tends to intrude on both the democratic polity and on the social viability of a market economy itself is essential to a politically sustainable liberalism. The dilemma is only compounded by the globalization of markets that out-run national polities. In my reading, especially of recent thinkers, I find the best insights on the dilemma of reconciling capitalism and democracy in the work of social democrats and democratic socialists.

Thus, though liberalism and social democracy substantially overlap in their vision of a good society, notably in their policy particulars, this ideological distinction is more than a semantic or sectarian one. These labels, and their resonances, invite careful differentiation. Social democracy is not merely a prodigal mutant of liberalism, now free of its youthful socialist indiscretions. On the contrary, American liberalism is often vulnerable, analytically and politically, precisely because it has not learned more from its social democratic cousins. My purpose here is to persuade the reader that a bigger dose of social democracy would enrich liberalism, not confuse it.

The liberalism of America's Founders was a rather conservative brand of

liberalism, one that sought restraint on the passions of the masses as much as it sought limits on the abuses of the state. As industrial capitalism developed, the challenge of building a good society, of assuring ordinary people life, liberty, and the pursuit of happiness, necessarily evolved with the new economic circumstances. The anomalies and cruelties of a market economy came to be as much of a threat to ordinary life and to civil society as the threat of state tyranny. Twentieth-century liberalism, particularly at its New Deal zenith, rejected *laissez faire* and embraced economic intervention. It nominated the state as the agency of intervention, invoking, in Herbert Croly's famous inversion, "Hamiltonian means for Jeffersonian ends."

At its most potent moments, the liberalism of the Progressive and New Deal eras was indeed influenced by socialism. The progressives were wary of concentrated wealth, for political as well as egalitarian reasons. New Dealers understood that market economics could be at odds with other liberal objectives; that markets needed to be tempered for the sake of economic stability and efficiency, as well as for broader opportunity and distributive justice. The high-water marks of the New Deal, like Roosevelt's little-remembered 1944 Economic Bill of Rights, were nothing if not social democratic.

But these innovations in a time of upheaval left only weak roots, in inhospitable soil. They stopped short of fundamental revision of the liberal creed. Individualist liberalism returned as soon as the storm passed and the sun came back out. As Louis Hartz presciently observed in 1955, Roosevelt lacked either a serious socialist challenge on his left or a convincing conservative challenge on his right, so he resisted ideological revision and sold his reforms as merely pragmatic. Albert Hirschman, writing a quarter-century later, at the dawn of Reaganism, ruefully commented on Hartz's insight, "Today, of course, we can appreciate the high cost of Roosevelt's

maneuver. The New Deal reforms ... were never truly consolidated as an integral part of a new economic order or ideology."

To be sure, it is not entirely fair to blame something called "liberalism" for the extreme individualistic tendencies of American society, which make it so difficult for a politically robust liberalism to take root. Nor is it realistic to expect that European social democracy, which grew in a rather different soil, could simply be imported whole and expected to thrive. My point is that liberalism, which today has reverted to one of its conservative moods, is strengthened and not weakened when it learns from social democracy. This is less a brief for a social democratic label—in America the label of choice for our kind of politics is necessarily "liberal"—than a plea for a social democratic sensibility.

Europe's social democrats, developing a welfare state and a Keynesian strategy of economic stabilization roughly in parallel with American liberals, nonetheless had a somewhat different understanding of what they were about. As part socialist and part liberal, they understood the enterprise not just as spreading social benefits or fighting unemployment, but as taming capitalism and as building a durable political constituency to make that enterprise electorally possible. Sometimes they overreached and embraced excessively statist mechanisms. But they understood that attaining some social control over private capital was a necessary part of building a sustainable mixed economy. I am sympathetic to social democracy, not as a bridge to socialism, but as a bridge to a more durable liberalism.

The taming of an economy whose dynamics are fundamentally capitalist is an excruciatingly difficult political and institutional endeavor, for market forces keep relentlessly encroaching on whatever social bargains are made. To grasp that, one needs to think hard about capitalism as a system. Social democrats at least take the exercise seriously; many American liberals seem to be uncomfortable with it. A decade or so ago, when the social democratic compro-

mise began to falter seriously, it was vogueish in democratic-left circles to insist that one had to go "beyond social democracy, to democratic socialism." Alternatively, other social democrats retreated into neoliberalism and settled for Keynesian tinkering around the edges. This debate sometimes had the familiar, tedious whine of left-sectarian politics. Yet it also signaled a willingness to think hard about the dynamics of taming capitalism as a system—something all too rare among liberals. Most American liberals, like Roosevelt, still sell their reforms "as merely pragmatic."

Admittedly, American liberalism and European social democracy are under assault from similar forces. These include the globalization of commerce, the fiscal limits of redistribution and macroeconomic management, the oddly conservatizing effects of slow growth, the erosion of trade-union solidarity, the crowding out of civic forces by market forces, and the timeless appeal of radical individualism for society's haves. Superficially, labor and social democratic parties in the west have suffered the same political reverses. Yet they are better bolstered to recover, it seems to me, because they have more systematic understanding of what is taking place.

The social democratic/mixed economy compromise came unstuck in the early 1970s, on both sides of the Atlantic. There followed an era of conservative rule, which attempted to resurrect a purer free market, celebrate individualism and entrepreneurship, pare back the welfare state, and thus rekindle economic growth. The conservative project failed; its diagnosis was mistaken and its remedies flawed. But the collapse of communism is taken as a vindication of the conservative brand of classical liberalism—laissez faire. While there is no mechanical third way, just as there is no "moral equivalence" between the failures of, say, Thatcher and Brezhnev, we liberals nonetheless need to resist the laissez-faire triumphalism that falsely follows from the

death of state socialism and remember the systemic flaws in pure capitalism.

There is now an opportunity to revive a center-left. However, the social democratic version of this conversation often tends to be richer than its liberal counterpart. And the liberal version remains vulnerable to a set of fallacies that flow from its connection to classical liberalism. In Europe, the question of how to revive a social market economy—the euphemism of choice for social democracy—in the face of transnational private commerce is a center-stage public debate. In America, the counterpart debate is largely dismissed as merely a subterfuge for economic "protectionism," the latter being a sin defined by the lexicon of classical economic liberalism.

Another concept central to social democracy and almost entirely marginal to American liberalism is the idea of "social solidarity." In the development of the social democratic compromise, two things became clear early on. First, public policy had to create loci in which solidarity values could flourish. Social solidarity means an ethic based on the treatment of people as citizens with equal rights and entitlements, rather than as consumers purchasing commodities in a marketplace based on their private incomes. These oases of solidarity values were necessary as a counterweight to the ethic of radical individualism and the political power of individual and corporate wealth. They include, above all, trade unions, and also universal programs of social income, based on the criterion of citizenship rather than destitution or prior contribution. Second, class mattered im-

Moving North

With the publication of the Summer issue on June 15, 1992, *The American Prospect* will close its Princeton office and move its editorial and business operations to 146 Mt. Auburn Street, Cambridge, Massachusetts 02138 (tel.: [617] 547-2950). Paul Starr and Robert Kuttner will continue as co-editors.

mensely. Unless the broad class of non-wealthy wage earners remained in a high state of political mobilization, both solidarity values and the political constituency for the center-left party would melt away.

Now, it is possible to find some version of this conversation in the opus of American liberalism, if one looks hard enough, though this is not primarily what American liberals talk about. Writers who come immediately to mind include Charles E. Lindblom, whose discussion of the disproportionate power of money in a political democracy in *Politics and Markets* is a classic; in this category one would also put Robert Heilbroner and Walter Dean Burnham. But all three, and others like them, are liberals who have been influenced by socialism. Indeed, the most astute writing in the genre tends to come from liberals who have considered themselves of the left, at least long enough to have read some Marx, and are best classed as recovering socialists. Marx himself, as Schumpeter was among the first to distinguish, was a false prophet and an incompetent social architect—but still worth reading as an analyst of capitalism. (Marxists eavesdropping on this discussion will find it hopelessly meliorist, if not downright reactionary, which suggests that our own differences are quite manageable.)

Lindblom's way of looking at politics, appreciated in the academy, has had lamentably little influence on the popular conception of political economy—far less than, say, the lingering influence of neoclassical economics. Politically, the more resonant construct is that of thinkers like Theodore Lowi or Mancur Olson, whose subject is the degradation of pluralism and the eventual gridlock of politics itself. It is a slippery slope to the inference that we'd better just trust markets.

In American discourse, solidarity issues simply don't resonate, even among many liberals. Trade unions, for the most part, get a terrible press. They are seen as just another self-interested pressure group rather than the logical and necessary constituency for a mixed economy. Given the chronic eco-

nomic insecurity and hence conservatism of wage earners, unions are essential if wage workers are to be the constituents for a broad agenda of social justice rather than quick to blame the systemic failures of capitalism on immigrants, blacks, or Japanese. Conservative liberals tend to desert labor—and even some labor unions tend to desert labor, with devices like a two-tier wage structure, because the labor movement itself partly reflects American individualist rather than solidaristic traditions.

In liberal America, concerns about the political power of concentrated wealth are too easily dismissed as merely the politics of envy rather than a Lindblom-style worry about asymmetry in political power. Because of our weak social democratic tradition, leftish impulses are frequently orphaned or misunderstood. Populism, the inchoate and ideologically amorphous cry for economic justice, often finds a home on the right rather than the liberal left. It is sneered at by enlightened commentators as unseemly class warfare or nativism. Social democracy in contrast is seemly, ritualized, and ultimately a more durable class conflict on behalf of wage earners.

Another contemporary liberal movement with populist overtones is consumerism. But in a political culture with no social democratic idiom, consumer advocates tend to couch their criticism of corporate power as the right of individual consumers not to be overcharged, poisoned, polluted, or otherwise ripped off. This is admirable as far as it goes, but consumerism quintessentially speaks the language of markets, not the idiom of social solidarity. It stops just short of a systematic critique of a market economy, and it doesn't connect as fully as it might to other progressive constituencies. In the absence of a social democratic context, the consumerist critique sometimes even overreaches by seeming viscerally and unreasonably anti-corporate per se (but wait, don't we need corporations to provide jobs?)—rather than an effort to tame corporations and turn them to public purposes, in the manner of Euro-

pean social-market corporatism.

Social class is seldom an explicit part of the American political conversation. And attempts to inject discussions about some of the uglier systematic tendencies of capitalism itself are characteristically rejected by many liberals as tendentious and childish radical. Indeed, my social democratic friends keep insisting that their critiques of particular market failures—in health care, housing, transit, financial speculative excess, environmental pillage, and so on—be anchored in a systemic critique of *capitalism*. This formulation invariably elicits a weary wince from my liberal friends, who see the reference to “capitalism” as merely an archaic left-wing rhetorical flourish rather than a necessary analytical frame.

The liberal resistance to social democratic insight also helps explain why our form of liberalism is so chronically vulnerable to the tendency to flake off into neo-conservatism. Many liberals in the 1980s joined conservatives in exaggerating the potential of deregulation and privatization, and in the false logic of sacrificing equity to growth. Conversely, the liberalism of the 1960s was too ready to target the poor as a separate population, rather than anchoring anti-poverty in a broad, solidaristic agenda. And when the anti-poverty crusade produced a backlash, some liberals abandoned the poor entirely as a political albatross. Social democracy is a good antidote to liberal fragmentation.

Take the issue of the budget deficit. The obsession with deficits and savings rates is now being argued—by Brookings-style liberals—as if Keynes had never lived. For example, the claim advanced by Charles Schultze in the 1990 Brookings volume on economic choices that “the United States” was on a “decade-long consumption binge” is a compositional fallacy that no social democrat could ever make. This formulation ignores the fact that during the 1980s the real incomes of more than 70 percent of Americans dropped. Who is to be the constituency for a politics of budget

balance *uber alles*? On what kind of pre-Keynesian economics is it based? But this is precisely the legacy of conservative liberalism, which is to ignore questions of social class and the relationship of wealth to political power, and to seek technical solutions.

Conservative liberalism tends to be uncomfortable with “the passions,” preferring a politics based on cool, rational, secular self-interest and institutional invention. With the Constitutional Founders, liberalism mistrusts mass movements, which it fears as potentially despotic. While the liberal tradition has good reason to worry about the tyranny of majorities, in modern industrial capitalism mass movements are often indispensable if the power of wealth is to be offset by the power of people. Without mass movements, occasionally even impolite ones, energizing civic life—the labor movement, the women’s movement, and the civil rights movement come to mind—we are left with a bloodless, cerebral, and feeble politics.

Take the issue of universalism in social entitlement, one of *The American Prospect*’s favorite causes. Many liberals, particularly the “neo” sort, conceive of paying Social Security pensions to the middle class as fiscally irresponsible and socially odd, since society obviously has more deserving cases who could use the money. In the end, the neo-liberals shrug and conclude that this must be mere “bribery” of the middle class. The most convincing defenders of universalism understand its logic in terms of class alliance and wage-earner solidarity. Not coincidentally, William Julius Wilson and Theda Skocpol—and your faithful essayist—are all self-described social democrats.

Take the issue of health care. Market-influenced conservative liberals make the mistake of imagining that some yet-to-be-invented system of consumer choice may somehow allow society to offer universal health care while using market mechanisms to discipline providers. But this is delusional, for any universal entitlement is no longer operating in market-land. It can use some “market-like” devices, but to be

efficient it requires universal rules specified by government. Moreover, the more opportunity there is for the well-to-do to opt out, the more the constituency for a solidaristic approach tends to erode. It might help if we admitted George Bush's charge that providing health care on the basis of to each according to his needs is, well, a wee bit socialist. Likewise free public education. The need to counteract capitalism's relentless "commodification" of human life is a socialist insight.

It is true that nearly every social democratic policy invention can be found somewhere outside the socialist tradition. Free public education was invented in Massachusetts, in the 1660s, nearly two hundred years before Marx. And, as we all know, social insurance was invented by Otto von Bismarck. Yet Bismarck championed social insurance largely because the rising Social Democratic Party was beginning to capture the affection of Germany's industrial workers, whose allegiance Bismarck wanted for the Prussian crown. And in this century, it is fair to say that labor and social democratic parties have done a better job than either conservatives or liberals at both extending and defending social entitlement.

This brings me back to political and ideological history. Liberalism is partly an ideal type—a philosophical construct with knowable boundaries. But the liberalism that has existed in historic time has been rather more supple, fluid, and evolutionary. The "New Liberalism" of Hobhouse in Britain of a century ago, the radical liberalism of Lloyd George, and of course the New Deal liberalism of FDR indeed created ambiguities about the boundaries between liberal and "left." But didn't liberalism grow stronger precisely when it was receptive to the influence of democratic socialism?

Some left-liberals, such as John Dewey, thought liberalism might lead to democratic socialism. Others, such as John Stuart Mill, were receptive to socialist ideas at the level of the firm, but not the entire economy;

and, on balance, Mill considered himself an anti-socialist. However, while Mill can be revered as a buried treasure of democratic liberal theory, the evolution of modern liberalism and social democracy did not proceed mainly via Mill, but via Roosevelt and Reuther, Keynes and Attlee, Palme, Brandt, Mitterrand, et al., with a strong assist from the labor movement. As for Dewey, just as there is no Manichean wall between liberalism and social democracy, we cannot fairly divide Dewey into the educational prophet whom we admire and the soft-headed philosopher who was naive about socialism. His views on universal public education were not unrelated to his receptivity to socialist ideals.

Social democracy has been around since the schism within German Marxism over a century ago. In the postwar era, social democracy pulled back even further from its socialist ancestry and became more clearly allied with the liberal tradition. But it preserved basic insights and instincts having to do with the limits of marketization, the virtue of social solidarity, the need for social limits if not controls upon private capital, and a comprehension of the relations between class, money, and political power in a market society.

At bottom, the common goal of the editors of this journal is to repair and reclaim American liberalism. My own personal heroes in the field of political economy—Keynes, Polanyi, Joan Robinson, Galbraith, Hirschman, Heilbroner, Lindblom, Dean Burnham, Irving Howe, and the late, sainted Mike Harrington—are all people of liberal spirit who blurred the bounds between liberalism and socialism somewhat, and by so doing served to push liberalism outward. Our task today is to do the same, and particularly to infuse decent social and economic policy with a durable politics. By all means, let us define clear boundaries between a liberal society and either a command economy or a dictatorship. But in doing this we should not just make room for social democracy on our side of the line, but also cherish it. ♦

Race, Liberalism, and Affirmative Action (I)

In our Winter issue, Paul Starr argued that because the Supreme Court, with its changed membership, is now likely to overturn earlier decisions upholding affirmative action, liberals need to find "a new road to equal opportunity in America." He urged a two-pronged approach: policies to expand opportunity and security for low- to middle-income Americans of all races; and a program of institution-building in minority communities, including a new National Endowment for Black America, initially to be financed with private funds.

Since views on this subject are so diverse and deeply held, we have invited responses from a number of writers representing different viewpoints. We asked them to address any or all of the following questions: (1) What do you see as the political future of affirmative action? (2) Are there other policies or approaches that you regard as feasible and as preferable, acceptable, or necessary? (3) Does the United States owe black Americans distinctive obligations beyond those due other groups facing discrimination? What, specifically, do you think of reparations?

In addition to the responses below, we will be carrying contributions from Robert S. Browne, Jonathan Reider, Theda Skocpol, and Jim Sleeper in our Summer issue.

Yes and No

Randall Kennedy

I applaud certain aspects of Paul Starr's "Civil Reconstruction: What to Do Without Affirmative Action," and disagree with others.

First the applause.

Without soft-pedaling his own ideas, Starr shows respect for the ideas of those with whom he disagrees and invites them to engage in a vigorous, contentious, but disciplined dialogue with him. For far too long candid debate on racial policies within progressive circles has been stifled by undue touchiness and undue hesitancy to reconsider left-liberal conventional wisdom. Starr is attentive to these obstacles but deftly pushes past them in his effort to raise questions that are sorely in need of exploration.

The most important of these questions is what racial policies progressives should

devise and advance beyond those currently in existence. This is an important subject to discuss regardless of one's views about affirmative action. In the first place, even proponents of affirmative action concede that it is not a panacea for all of the socioeconomic ills besetting the African American community. That being so, progressives need to think more deeply and imaginatively about *new* initiatives that need to be undertaken immediately regardless of the fate of affirmative action.

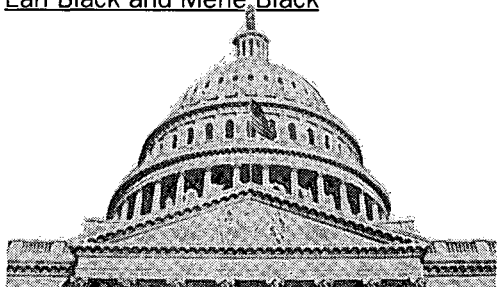
Much of the mental and emotional energy of those primarily interested in the cause of racial justice has been occupied over the past twenty years with safeguarding advances won in the 1960s and 1970s. Relatively little has been invested in a thoroughgoing evaluation of "the race issue" in light of the dramatic changes that have occurred in American society over the past twenty years—demographic changes that have created a more ethnically and racially diverse society; political changes that have allowed the Republican Party to dominate the executive and judicial branches of the

(continued on page 116)

HARVARD

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The first book to chronicle the massive shift of southern electoral power to the Republican party, *The Vital South* explores the history, meaning, and ramifications of a Republican South in presidential politics. Deftly combining political narrative, in-depth analysis, and telling anecdotes, it is an essential political book for 1992, as well as a definitive source on southern presidential politics for years to come. 26 line illus., 19 maps, 22 tables \$29.95 cloth

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Richard A. Epstein

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Mark S. Mizruchi

In this book Mark Mizruchi asks to what extent large corporations are unified politically. Adopting a structural model of social action, Mizruchi examines factors such as geographic proximity, common industry membership, stock ownership, and interlocking directorates on the campaign contributions of corporate PACs and corporate testimony before Congress. He finds that organizational and social networks among firms have the greatest effect in determining similar political behavior. \$37.50 cloth

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The Pressure Elite

Inside the Narrow World Of Advocacy Group Politics

John B. Judis

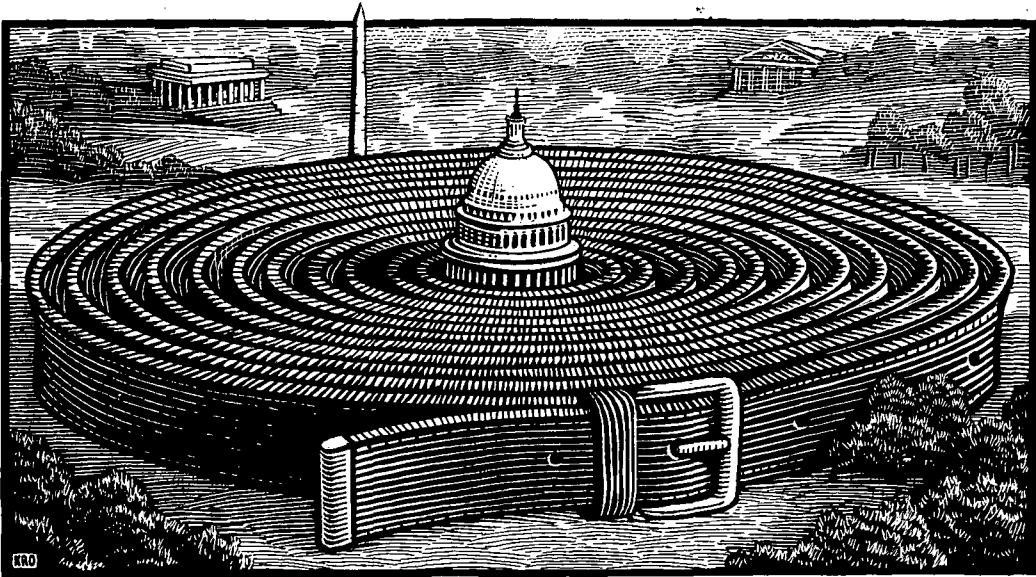
In the 1950s, in the midst of what C. Wright Mills called the “great American celebration,” mainstream political scientists conceived of modern American democracy as a more or less equal contest among large-scale groups—the most important being farmers, workers, and business. (Chapters Two through Five of V.O. Key’s classic *Politics, Parties and Pressure Groups* were aptly entitled “Agrarianism,” “Workers,” “Business,” and “Other Interest Groups.”) Each social group had its own organizations—from the American Farm Bureau to AFL-CIO to the Chamber of Commerce and the National Association of Manufacturers (NAM)—and each enjoyed special power within one of the major political parties. Since almost every adult American was either a farmer, worker, or businessman, or married to one, almost everyone was represented within this pluralistic system. It was not the direct democracy of Athens, but it was as close to a representative democracy as a large modern nation could come.

This pluralist vision vastly overstated the extent to which America’s pressure groups represented the general public or were equal in power to each other. Noting the narrow slice of the population who were active in these organizations and the preponderance of power wielded by business over labor, the political scientist E. E. Schattschneider commented in *The Semi-Sovereign Republic*, “The flaw in the pluralist heaven is that the chorus sings with a strong upper-class accent. Probably about 90 percent of the people cannot get into the pressure system.”

Nonetheless, the pluralist vision reflected at least a shadow of reality. In the 1950s, no more than a dozen very large pressure groups dominated Washington

politics. The labor movement represented about a third of the non-agricultural workforce and enjoyed enormous power in Congress and the Democratic Party just as the key business and farm groups enjoyed the same kind of power within the Republican Party.

What distinguishes Washington politics today is the sheer proliferation of citizen organizations, trade associations, think tanks, and policy research groups. In its Spring 1991 directory of the most prominent Washington organizations, the *National Journal* listed 328 interest groups, 98 think tanks, 288 trade and professional associations, and 682 corporate headquarters. Many of the new citizen organizations such as the National Organization for Women (NOW), Greenpeace, and Common Cause boast memberships in the hundreds of thousands. Dwarfing even the AFL-CIO, the American Association of Retired Per-



sons (AARP) has 28 million members, a legislative staff of 125, and 20 registered lobbyists.

But while the new organizations together claim far more members than the old—and therefore appear to be more representative of society as a whole—they have a far more tenuous connection to those whom they claim to represent directly. Many of them are what sociologist John McCarthy has called “professional movement groups.” They are run entirely by their staff and by a board of directors that is often dominated by the staff. In organizations like the National Abortion Rights Action League (NARAL) and the Conservative Caucus, membership is primarily a fund-raising device to ensure continuous giving. Even in organizations that have local chapters and hold membership conventions, such as the National Audubon Society, the national staff and the board of directors control who is nominated for board positions and what information the members receive about the candidates. Moreover, in their funding, the new or-

ganizations represent almost as narrow an economic base as the old organizations of the 1950s. Many of them are supported by corporate and foundation contributions. Those that are supported by direct mail claim to represent a far broader public, but their donor profile tends to be overwhelmingly white, wealthy, and at least middle-aged. The best one can say about the bulk of these organizations is that they sing with an upper-middle-class accent. The old array of pressure groups fed false hopes of a new pluralistic democracy; the new—perceived by Americans as occupying a world unto themselves—fuel cynicism about special interests and about politics “inside the beltway.”

The new organizations also have a very different relationship to the political parties than the old organizations did. The old organizations strengthened party representation by functioning as honest brokers within party conclave. The new organizations contribute to political fragmentation and to the decline of the political parties. This reflects the circumstances of their birth: these groups arose independently largely

because the old organizations and political party structures ignored or spurned them.

The New Pressure Group

Beginning in late 1950s, new political movements emerged that did not fit into the structure of the old Washington pressure groups and political parties. They included on one side the civil rights movement, the antiwar movement, the women's movement, the environmental movement, the movements for gay rights, consumer rights, and abortion rights and on the other side the new conservative movement, the movements against racial desegregation and later against busing and affirmative action, the anti-abortion movement, and the right-wing evangelical movements. All these movements were initially outside the organized mainstream. Under the late George Meany, the AFL-CIO and the official Democratic Party were initially as hostile to the civil rights and antiwar movements as the established business groups and the Republican party were to Barry Goldwater's apocalyptic anticommunism and to Southern fundamentalism and segregationism.

Facing hostility from the Washington political establishment, these new movements created myriad organizations outside of Washington's established pressure groups. This was the origin of such groups as NOW, Friends of the Earth, SANE, Ralph Nader's Public Citizen, NARAL, the American Conservative Union, the Conservative Caucus, the Heritage Foundation, and the Moral Majority. But why did they choose to focus their activities on Washington?

The growth of these movements over the past three decades coincided with a dramatic expansion in the social and economic role of national government. Earl Warren's Supreme Court took an active role in shaping social relations—outlawing segregation and school prayer, granting the right to contraception and then abortion, expanding the rights of criminal suspects. John Kennedy used fiscal policy more con-

sciously than any previous president to control the business cycle. Lyndon Johnson expanded the welfare state and convinced Congress to pass two major civil rights acts that outlawed racial and sexual discrimination. Richard Nixon sometimes promoted and sometimes acceded to an expansion of federal business regulation not seen since Woodrow Wilson's presidency, establishing new agencies like the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Consumer Product Safety Agency, expanding old ones like the Office of the Special Trade Representative, and passing landmark regulatory legislation. Jimmy Carter created a new Department of Energy and carved a Department of Education out of the old Department of Health, Education, and Welfare, resulting, in both cases, in increased federal intervention. At the same time, Congress created its own regulatory apparatus through the expansion of its committees and staff.

This dramatic enlargement of official Washington's authority meant that many issues that had been predominately local or state concerns—from smog to abortion—became national concerns whose final resolution depended upon what the Supreme Court, Congress, and the President decided. As a result, both the old and the new movements became particularly concerned with influencing what happened in Washington.

From 1961 to 1982, the number of corporate headquarters in Washington increased tenfold, and there was a massive growth in trade associations and in lobbying firms. The number of lawyers in Washington tripled between 1973 and 1983. In addition, corporations began to fund new kinds of organizations—from think tanks such as the American Enterprise Institute (AEI) to congenial environmental organizations such as the Nature Conservancy. In the 1980s, as trade disputes with Japan intensified, money from Japanese corporations—as much as a billion dollars over the decade—fueled a further growth in think

tanks and lobbies concerned with defending free trade.

At the same time, the new social and political movements that had been spawned in the 1960s and 1970s increasingly concentrated their efforts on swaying Washington. Older environmental groups such as the National Audubon Society and the National Wildlife Federation began monitoring federal legislation, while new groups such as the Environmental Defense Fund and Greenpeace and the Citizens Clearing House for Hazardous Wastes based themselves in Washington. Common Cause and the Nader organizations were founded to fight corporate and government misconduct. The abortion rights and anti-abortion organizations focused on pressuring the Supreme Court. In the 1980s, People for the American Way and the Moral Majority, joined the battle over court nominees and congressional legislation on school prayer. The National Rifle Association and Handgun Control locked horns over the new federal gun laws. The civil rights organizations devoted themselves to fighting for the renewal of the Voting Rights Acts and the Civil Rights Act of 1991.

The focus on Washington shaped the kind of organizations that emerged over these decades. Many of the new organizations located their headquarters in Washington, and some of those that had not chosen Washington initially, for example Friends of the Earth and the Cato Institute, later moved to the capital. Most of the groups eventually adopted a professionalized structure so that they were dominated by their Washington staff. This was partly a result of the groups' focus on influencing Congress and the White House and of the ebbing of grassroots political activity after the 1960s. But it also stemmed from the new kinds of funding that these groups enjoyed. The old organizations—from the AFL-CIO to NAM to the veterans' organizations or the American Medical Association—were financed primarily by membership dues.

The new organizations were financed by grants from foundations, corporations, and unions, and by direct mail and neighborhood canvassing. This new form of funding laid the basis for the professional advocacy organization.

The Role of Foundations

The major foundations such as Ford and Rockefeller, which are independent of direct corporate control and which claim to be nonpartisan in their grants, were instrumental in the formation of the new organizations. Foundation support was essential to the civil rights movement's voting drives and to the founding of such diverse organizations as the National Council of La Raza, Ralph Nader's Public Citizen, the Environmental Defense Fund, and the National Resources Defense Council. Foundations that have been more strictly identified with the left or right—from Rubin and Stewart Mott on the left to Scaife and Bradley on the right—played important roles later in funding such groups as the Institute for Policy Studies and the Heritage Foundation.

By their nature, grants from foundations make an organization's staff less dependent upon members or constituents for organizational decisions, but as sociologist J. Craig Jenkins has argued, foundations also have encouraged professionalization. In studying foundation grants of social movements from 1953 to 1980, Jenkins found that only 17 percent of these grants went to "grassroots" organizations involved in protests and demonstrations. The rest went to the professionalized groups. Jenkins attributes the foundations' preference to their vaunted caution:

Grass-roots organizations often lack a clear track record and are more likely to become involved in protests or other activities that might stir criticism. They are also more informal and decentralized, lacking the fiscal and management devices that foundations expect from their recipients. Professionalized or-

ganizations are centrally managed by a single executive or professional staff. Their hierarchical structure is more intelligible to foundation boards, who typically come from business and academia, and affords greater assurance that the money will be used prudently as specified in the grant proposal.

Since the 1969 Tax Reform Act, foundations have also been limited to funding organizations that are not primarily "political"—meaning that they do not directly engage in lobbying or supporting candidates. Only nonpolitical organizations can receive tax-deductible gifts. This restriction has led the foundations to shy away from activist membership organizations. In 1968 the Ford Foundation provided the initial funding for the Southwest Unity Council for Social Action—an organization intended to become a Mexican-American NAACP. But after the tax reform act, the Ford Foundation discouraged the new organization from taking part in local protests. Prodded by the Ford Foundation, the group renamed itself the National Council of La Raza and shifted its headquarters to Washington, where it became, in Jenkins's words, "a professional organization with relatively weak ties to a constituency."

The limits on tax-deductible gifts have in turn influenced the way in which organizations have defined their mission. Before the 1970s, a considerable gulf existed between the quasi-academic think tank such as the Brookings Institution that sought to influence the long-range views of government officials but did not have a specific legislative agenda, and the lobby or activist group that pressured Congress or the White House to pass or block certain legislation. In the 1970s, however, new organizations arose that were intended to circumvent the law—to maintain eligibility for tax-deductible grants from individuals and foundations while still seeking to influence official

Washington. Policy research organizations and think tanks such as the Heritage Foundation, the Free Congress Foundation, the Institute for Policy Studies, and later the Economic Policy Institute were not simply scholarly groups concerned with public policy; they had specific agendas and took positions on legislation, but they neither lobbied nor backed candidates. Some of these groups, the Heritage Foundation, for example, offered their donors memberships, but all of them, by their very nature, were professionalized organizations controlled by their staffs and by a board of directors representing their largest donors.

Some groups have tried to elude restrictions on tax-deductible gifts by creating nonprofit research or educational groups alongside lobbying organizations and political action committees. The educational group then becomes responsible for the organization's research and pays many of its salaries. Organizations that have adopted this structure include the American Civil Liberties Union, NARAL, Public Citizen, Consumer Federation of America, Eagle Forum, Conservative Caucus, and the Sierra Club. By its very nature this kind of cumbersome structure—requiring interminable bookkeeping and attention to grant-writing and fund-raising—reinforces centralized staff control of organizations.

By their grants, the large foundations have also affected the kind of issues organizations have pursued as well as the way they have pursued them. In 1962 Kennedy administration officials used the promise of foundation support to lure the Southern civil rights movement away from militant demonstrations toward voter registration. In the environmental movement, the large foundations have favored the legal strategies and policy research of the Environmental Defense Fund over the less tempered methods of Greenpeace. Foundations often prefer studies of action to action itself; and they prefer studies with uncontroversial conclusions that will not call into question their own impartiality. As Robert McIntyre, the director of Citizens for

Tax Justice, puts it, "They usually don't like anything controversial. If we changed our name to Citizens for Tax Thinking, we'd get more money." Similarly, directors of organizations concerned with trade issues have also complained that the foundations were reluctant to fund proposals that were not endorsed by established free-trade economists.

But this does not mean that the large independent foundations have partisan agendas, only that they rigorously follow

The foundations project their own caution and timidity onto the organizations that they fund.

the path of respectable opinion. When the controversial becomes widely accepted, they fund it. Their major impact is structural rather than partisan or narrowly political. They encourage professionalization and discourage militant protest strategies. They project their own caution and timidity onto the organizations that they fund. And they contribute to the decline of politics and parties by stimulating the growth of a new realm of organizational activity—issue-oriented, but nonpartisan—that is cut off from the compromise and deliberation that are essential to building majority political parties.

The more ideologically oriented foundations have tended to have a symbiotic relationship with their recipients. The Youth Project, now called the Partnership for Democracy, was founded in 1970 to act as a middleman between foundations and liberal and left-wing social movements and groups. The project's board has been made up of representatives from many of the organizations that receive funds from it. Scaife, Bradley, Olin, and the other foundations that fund conservative organizations are advised by leading conservatives such as William Simon and Irving Kristol. (Kris-

tol earned his nickname of "the Godfather" partly from his role in arranging funding for conservative groups and individuals.) Whom these foundations fund reflects the priorities of leading conservatives rather than the distinct concerns of the foundation executives.

Even the exceptions prove the rule. Last December, the *Washington Times* reported what appeared to be an attempt by the \$200-million Scaife Foundation in Pittsburgh to influence the agenda of the Heritage Foundation, the most important conservative institution in Washington. According to the newspaper account, foundation president Richard Larry forced the organization to adopt a program concerned with cultural policy. Heritage concurred by hiring former Secretary of Education William Bennett as the head of a new cultural program, funded by Scaife. Bennett was also a member of the Scaife board of directors. It seemed like a coup for Scaife, but in fact represented Heritage's willing acquiescence in a long-standing trend in the conservative movement. Heritage already had a staff member assigned to cultural issues. By Scaife's funding of Bennett, Heritage gained a high-profile celebrity who will now help it exert influence over Scaife rather than vice versa.

Corporate Funding and K Street

Corporations and their private foundations contributed even more to the rise of new Washington-based organizations in the 1970s. Under attack from labor and the new consumer and environmental movements, and seeing their profit margins threatened by foreign competitors, businesses took the offensive. They vastly increased their lobbying budget in Washington. From 1971 to 1982, the number of registered business lobbyists increased from 175 to 2,445.

Corporations also flocked to set up political action committees—their ranks grew from 139 corporate PACs in 1974 to 1,204 in 1980. They revived the moribund U.S. Chamber of Commerce and funded

new, powerful business organizations that were able to employ the media and grassroots lobbying techniques developed by the consumer and environmental movements. The Business Roundtable, composed of 192 large corporations, was credited with the defeat in Congress of Nader's proposal for a Consumer Protection Agency and the AFL-CIO's push for labor law reform. The American Council for Capital Formation successfully led the fight for reduction of corporate income and capital gains taxes. Business also funded think tanks that promoted deregulation of business, contributing to the rise of both the American Enterprise Institute—which before the mid-1970s was an insignificant backwater—and the Heritage Foundation.

During the 1980s, as trade battles heated up, foreign companies and foundations, particularly from Japan, poured more money into funding lobbies, public relations firms, trade associations, and think tanks in Washington. From 1986 to 1990, the Japanese contributed \$1,015,000 to the Institute for International Economics, \$1,812,408 to the Center for Strategic and International Studies, \$1,610,684 to the Brookings Institution, and \$846,000 to the American Enterprise Institute. The Heritage Foundation enjoyed substantial contributions from South Korean and Taiwanese companies and trade groups. The foreign contributions to think tanks were intended to reinforce congenial positions on trade and investment.

By the decade's end, foreign influence buying, combined with a sagging American trade balance, led to a backlash. A group of American corporations led by Chrysler, TRW, Corning Glass, USX, and Milliken began funding policy groups that favored using trade laws to protect American industries. These included the Economic Strategy Institute, founded by former Commerce Department official Clyde Prestowitz.

Corporations also funded coalitions to oppose changes in the laws of the General

Agreement on Tariffs and Trade (GATT) favored by foreign countries. By the end of the 1980s, some of the fiercest lobbying battles in Washington were taking place between one business-funded lobby or policy group and another.

The influx of corporate money over the past two decades has created a burgeoning complex of law firms, public relations houses, lobbying firms, and policy research groups named after Washington's K Street, where many of them are located. This complex increasingly dominates politics in the city. National Republican politics has largely been run by the lobbying firm Black, Manafort, Stone and Kelly from which Charles Black and the late Lee Atwater came, while Democratic politics has been controlled by the powerful K Street law firms that house former Democratic officials and that have contributed Democratic national chairs Robert Strauss, Charles Manatt, and Ron Brown. The Democratic Leadership Council, chaired by Arkansas Governor Bill Clinton, and its policy group, the Progressive Policy Institute, were largely funded by former Democratic congressional aides turned K Street lobbyists. And many of these same lawyers and lobbyists now serve as trustees or members of the board of directors of the main Washington policy groups, from AEI to Brookings.

American and foreign corporations have also contributed to many organizations spawned or sustained by new social movements. These include NOW's Legal Defense and Education Fund, the Children's Defense Fund, many of the largest environmental organizations, including the Audubon Society, the National Wildlife Federation, and the Environmental Law Institute, the NAACP, the Urban League, the National Council of La Raza, and the Center for Community Change. The corporations had widely different motives for funding these organizations.

Corporate contributions to civil rights organizations largely stem from social conscience and from a commitment to social harmony and an educated work force.

Many of the same corporations that contribute to conservative policy research groups also give to civil rights organizations that have denounced the kinds of policies that these research groups have favored. For instance, half of the corporations that fund the black policy group, the Joint Center for Policy Studies, also fund the Institute for Research on the Economics of Taxation, an organization founded by supply-sider and former Reagan Treasury official Norman Ture.

Some corporate gifts are intended to improve companies' images. Exxon and Weyerhaeuser hoped to improve their reputations among environmentalists through their contributions to the World Wildlife Fund, the Nature Conservancy, and Resources for the Future. Other corporations, faced with the prospect of change, have tried to throw their weight behind organizations that advocate the more palatable alternatives. In 1989, corporations gave \$703,840 to the milquetoast Nature Conservancy and \$3,175 to the Sierra Club. According to the *Corporate Philanthropy Report*, insurance companies, facing the likelihood of health insurance reform, now back research and programs that will preserve the private insurance industry's role and "head off unpalatable proposals such as shifting to a Canadian-style government health program."

The mixture of motives is epitomized by Waste Management, Inc., the \$19-billion garbage collection giant and notorious polluter. Waste Management has given large contributions to almost every environmental organization to the right of Greenpeace, including the World Wildlife Fund, the National Wildlife Federation (on whose board of directors Waste Management CEO Dean Buntrock sits), the National Audubon Society, the Environmental Law Institute, Ducks Unlimited, the Sierra Club, the Natural Resources Defense Council, the Izaak Walton League, and the World Resources Institute. Waste Management intended its good works to deflect critics

concerned about the \$50 million in fines that the corporation has already incurred for illegal waste practices and for price fixing. The company accompanied its contributions with an aggressive advertising campaign in environmental magazines. For instance, it ran a full-page advertisement in the Wilderness Society's magazine that, under a photo of a butterfly, declared, "We profit by protecting the environment."

Waste Management also wanted to buy influence in the battle over environmental legislation and enforcement. In 1989, a year after Buntrock was named to the National Wildlife Federation's board of directors, he succeeded in getting Wildlife Federation president Jay Hair to set up a meeting between him and EPA administrator William Reilly. After the meeting, Reilly announced that he would challenge Southern states' attempts to restrict hazardous waste disposal. When the Wildlife Federation later signed a letter protesting the decision, Reilly told a reporter that he was surprised because Hair had "hosted the breakfast at which I was lobbied to do the very thing we are doing."

Finally, Waste Management has had a vested interest in passing stringent and complicated hazardous waste regulations that smaller companies would find too expensive to follow. According to an Audubon Society official, Waste Management is now underwriting that organization's attempt to strengthen the Resource Conservation and Recovery Act. Like the larger meat packing companies that pressed for food and drug regulation at the beginning of the century, Waste Management wants to use regulation to drive its competitors out of business.

Sometimes, corporate funding has seemed to induce organizations to steer clear of certain issues that might offend their donors, but usually only when a corporate representative already has considerable power within the organization itself. In the late 1970s, the NAACP refused to oppose the decontrol of natural gas prices. Most of the organization's leadership op-

posed decontrol, but Margaret Bush Wilson, who chaired the NAACP's board and served on the board of Monsanto, did not. Monsanto was also a big contributor to the NAACP.

In 1980 the Heritage Foundation called for the abolition of the Synthetic Fuels Corporation. But Heritage began equivocating when President Reagan appointed as head of the corporation Edward Noble, who was active in Heritage and served as a trustee of the Noble Foundation, a major contributor to Heritage. In 1985, when Congress was on the verge of abolishing the agency, Heritage produced a briefing paper on "Salvaging the Synthetic Fuels Corporation." "We saw Noble's hand in it," said one Capitol Hill aide who had previously enjoyed Heritage's support in trying to abolish the agency.

Corporations have sought influence primarily by throwing their weight behind organizations and groups that espouse alternatives they either enthusiastically back or prefer in the face of something they deem to be much worse. Through their contributions, corporations have established a decided superiority over their rivals and critics in every area that is of vital concern to them.

When Congress takes up tax issues, business can call on the American Council for Capital Formation, the CATO Institute, the Heritage Foundation, selected scholars from Brookings, the American Enterprise Institute, Ture's Research Institute, NAM, and the Chamber of Commerce. Labor can call on Robert McIntyre's tiny Citizens for Tax Justice. In defining the party's economic agenda, business cannot only command the loyalty of conservative and Republican organizations, but also of Democratic groups such as the Democratic Leadership Council that have been funded by lobbyists and their corporations. By contrast, liberal and labor Democrats can look to Heather Booth's Coalition for Democratic Values, housed in the top floor of a warehouse off a side street in suburban Maryland.

Much of the environmental movement

is funded through direct mail, but as the recession has dried up direct-mail contributions, those environmental organizations that can gain large-scale corporate funding have continued to prosper while the more radical groups such as Greenpeace have had to cut back drastically in their staff and activities. According to the *Chronicle of Philanthropy*, only organizations that "seek market-oriented solutions don't feel the pinch." This means that their voice is now more likely to be heard, and, in Washington, the power to get your opinion heard wins battles.

Taken together, the corporate PACs and lobbyists, corporate officials manning new Washington offices, the Chamber of Commerce and NAM, the new organizations like the Business Roundtable, and the corporate contributions to like-minded organizations such as AEI have completely tilted the balance of power in Washington. Business has gotten its way for the last fifteen years in every major legislative battle that directly threatens it, from labor law reform to tax reduction and deregulation.

Labor's Diminishing Returns

The AFL-CIO watched the initial explosion of social movements with a mixture of confusion and disdain. During Martin Luther King's 1963 march on Washington, AFL-CIO head George Meany closed the federation's headquarters for fear that the march would turn into a riot. During the 1972 election, Meany implicitly aligned the federation with Richard Nixon's attacks against the "acid, amnesty, and abortion" of the new left and the McGovern campaign. But the United Auto Workers, which left the AFL-CIO in 1968 and did not rejoin it until 1981, and the industrial and public employee unions within the federation backed the civil rights movement, helping to found the Leadership Conference on Civil Rights.

Over the next two decades, as corporate lobbying expanded, these same unions also funded several coalition efforts, including the Full Employment Action Council and the Progressive Alliance, intended to

counter corporate influence. In the late 1970s, after Meany had been succeeded by Lane Kirkland and after labor had been repeatedly drubbed on Capitol Hill, the AFL-CIO itself began reluctantly and haltingly funding organizations that it did not directly control. But the bulk of union funding still comes from individual unions rather than the federation.

During the 1980s, unions helped bankroll feminist, environmental, consumer, foreign policy, and citizens organizations, becoming the mainstay of such efforts as the Citizen-Labor Energy Coalition, now part of Citizen Action. Unions have contributed the bulk of the funds for two policy research groups, the Citizens for Tax Justice and the Economic Policy Institute (EPI) and have joined business in backing Clyde Prestowitz's Economic Strategy Institute.

The unions' role in founding EPI bears out the plight of labor. The AFL-CIO's Industrial Union Department (IUD) had regularly been doing studies of the decline of manufacturing, but the mainstream press ignored its efforts because they were seen as colored by labor's special interest.

After lengthy and sometimes difficult discussions with the policy intellectuals that were putting EPI together, union officials decided they would be better off following the corporations' example and funding a group that was committed to the same principles and ideas but not tainted directly by their label. In 1986 labor unions provided the money to start EPI, and the IUD's star economist Larry Mishel transferred to EPI, doing virtually the same studies, but gaining some attention from the press corps. Yet EPI remained haunted by labor's role. The press refers to the organization as "labor-backed," while never describing AEI and other business-funded groups as "business-backed." To secure its independence, EPI has successfully won some support from foundations and business.

Both Citizens for Tax Justice and EPI are

relatively low-budget operations compared to AEI or Heritage. And labor's overall contribution to organizations like these remains minuscule compared to the amount of money corporations spend on think tanks and policy groups—perhaps less than one half of one percent. Labor also spends relatively little on lobbying. Since 1960, the AFL-CIO has devoted about 2.5 percent of its budget to lobbying Capitol Hill. By comparison, the National Rifle Association, a particularly effective force on Capitol Hill, spends more than 15 percent of its budget on lobbying. At one point, the American Petroleum Institute employed more lobbyists in Washington than the entire labor movement.

What clout labor has comes from its political action committee contributions to candidates and from its power as a genuine national membership organization that can summon its troops to punish and reward public officials. But as labor's percentage of the non-agricultural work force has dropped to 16 percent, its ability to counter corporate power has diminished still further.

The Power of Direct Mail

Many of the organizations that grew out of the social movements of the last decade—including NOW, NARAL, Common Cause, and the Conservative Caucus—use direct mail to raise the bulk of their money. The advantage of direct mail is that it renders an advocacy organization independent of large donors, whether wealthy individuals, corporations, foundations, or unions. Some major issues—like Common Cause's campaign finance reform, NARAL's defense of abortion rights, and the Conservative Caucus's campaign against the Panama Canal Treaty, for example—could not have been financed otherwise. Most of the large vested interests opposed campaign reform, and most of the foundations and corporations have found abortion too controversial. There are myriad smaller single issues such as gun control or opposition to federal funding of

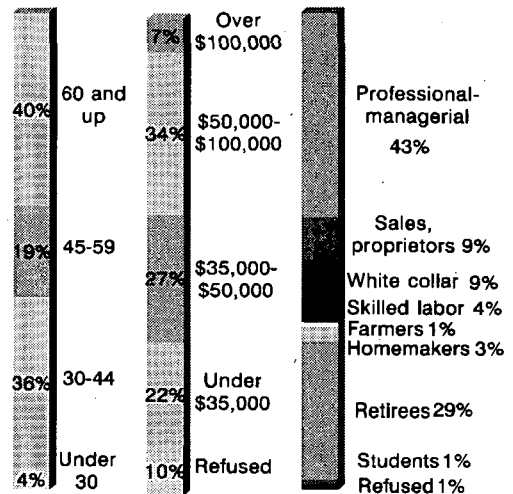
the National Endowment for the Arts that can be financed through carefully targeted direct mail. "Direct mail allows organizations to raise money for things that you don't always read about in the newspapers and that foundations and big donors are not interested in," says Republican direct-mail specialist Ann Stone.

But direct mail also has had its disadvantages. It is extremely expensive to finance. Nader's Public Citizen required a foundation grant to begin direct mail. Greenpeace relied on a loan from its direct mailer. It cannot be used by smaller policy research groups such as EPI whose work cannot be capsulized in a gut-wrenching direct-mail letter. By encouraging political groups to define their own purposes narrowly and through single issues, reliance upon direct mail contributes to the fragmentation of American politics. And while its social universe is larger than that of corporations and very wealthy large donors, it is primarily upper- and upper-middle class and is therefore only appropriate for issues that appeal to that segment of America. While direct-mail solicitation allows groups to communicate part of what they are doing to the world outside Washington, it provides little real link between that world and Washington pressure groups.

Direct mail was first used in 1964 by fund-raiser Marvin Liebman for Barry Goldwater's presidential campaign, which could not rely on traditional business sources. In 1970 Roger Craver, a former fund-raiser for George Washington University, used it to launch John Gardner's new good-government organization, Common Cause. Gardner, a former secretary of Health, Education and Welfare, had become frustrated trying to create a consensus among the labor unions, foundations, and corporations that funded the National Urban Coalition, and wanted a way of raising money that would free him from large funders with conflicting priorities.

In the early 1970s Richard Viguerie, who had been Liebman's assistant, began using it to finance new conservative organiza-

FIGURE 1. Direct-Mail Donors to Progressive Causes.



Source: Peter D. Hart Research Associates, Inc., A Survey of Attitudes among Donors to Progressive Causes, December 1990.

tions, including the Conservative Caucus and the National Conservative Political Action Committee (NCPAC). In 1976 Viguerie associate Stephen Winchell branched out on his own and began raising money for the Heritage Foundation, which depended on direct mail for much of its expenses in its early years and still raises about 40 percent of its funds that way. Meanwhile, Craver set up his own firm in 1976 and began raising money not only for candidates, but also eventually for NOW, NARAL, Planned Parenthood, Greenpeace, Handgun Control, and the whole array of liberal social-movement organizations.

Direct mailers boast that direct mail is a democratic means of raising money, but it is democratic only in comparison with fund-raising from corporations and the very wealthy. From 1970 through the mid-1980s, the direct-mail universe was very similar for both liberal and conservative organizations. It was predominately white, male,

fifty-five-years-old and over, and with an income over \$50,000. Craver refers to the liberal side of this constituency as the "toiling masses of Westchester and the peasants of Beverly Hills."

Conservative organizations like Heritage or Free the Eagle still rely on this older, male, well-to-do donor. Their funding base has not expanded and has probably shrunk slightly over the last two decades. But according to a survey that pollster Peter Hart did for Craver Matthews Smith & Co., the liberal social movements are now drawing almost a quarter of their funds from women donors age thirty-five to forty-five who have a mean income of \$55,000. (See Figure 1) While the class base of Craver's mailing list has not changed, its age and sex have. This trend has already given liberal social-

*However noble their cause,
the advocacy groups pursue
their goals largely within a
closed universe.*

issue groups a decided advantage over their conservative counterparts.

Most organizations that raise money through the mail ask their donors to become members. A few groups such as Common Cause and NOW have tried to maintain real memberships through the mail, with local chapters and membership election of officers, but for most of the organizations, including NARAL, Planned Parenthood, Handgun Control, the Heritage Foundation, and Conservative Caucus, offering membership has served merely as a fund-raising technique that has allowed an organization to come back annually for contributions. It has sustained professionalized advocacy organizations.

Even in those organizations that have real members, the very size of the membership generated by direct mail has frayed the ties between the Washington headquarters and the organization's members. Typically,

an organization such as Common Cause or NOW can be divided into four groups: the top staff and board of directors; an activist cadre of one to five percent who work in chapters and attend national conventions; the 25 percent of the membership that take the trouble to fill out membership ballots and opinion surveys; and the remaining passive members—about 70 percent—whose primary contribution is to send an annual donation.

The passive members influence the organization largely by increasing or decreasing their contribution and their numbers. In the last year, for instance, environmental organizations have suffered a sharp falling off in their direct-mail receipts not only because of the recession but also because the average donor no longer believes that the environment is threatened, while women's organizations, buoyed by anger from the Anita Hill-Clarence Thomas hearings and the looming battle over *Roe v. Wade*, have experienced an upsurge in contributions. Similarly, many New Right organizations furiously expanded their contributions during the last Carter years, but then went broke after Reagan took office and removed the specter of a reigning liberalism.

In the direct-mail membership organization, the key group is the activist cadre, who, if they combine with a faction within the Washington staff, can effect real changes in the organization. In 1982, for instance, Common Cause's activists united with staff members to change the organization's focus from good-government issues to stopping the MX missile, even though the organization's polls showed that the group's membership was less concerned about the MX than about the organization's traditional issues. In 1989 NOW's activists forced the organization—against the better judgment of many of its leaders—to consider building a feminist third party.

However limited their representation, organizations such as NOW and Common Cause do represent an advance in democracy. But the majority of organizations are less like NOW and Common Cause and

more like the Conservative Caucus, NARAL, Greenpeace, or People for the American Way. However noble their cause, they pursue it largely within a closed universe. They are accountable to a larger public only through the ultimate veto power that these donors hold. And these donors, far from being representative of the country at large, embody a small slice of upper-income America.

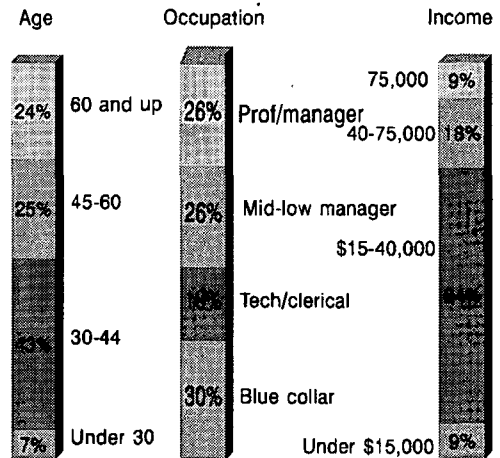
Organizations that are dependent on direct mail also are limited by the preoccupations of their own donor base. The donors to organizations like NARAL or the Sierra Club tend to fit the profile of the Baby Boomer—liberal on social and environmental issues and on foreign policy, but fiscally conservative, often suspicious of unions, indifferent to poverty except in the most melodramatic forms. None of the major organizations that rely on direct mail emphasize the redistribution of income, the rebuilding of cities, the rights of workers to join unions, the need for national health insurance, or the kind of environmental issues that plague working-class neighborhoods.

Canvassing the Middle Class

Some of those organizations that want to work on populist economic issues have discovered an alternative to direct mail and to contributions from business, labor, and foundations. In 1974 Chicago activist Marc Anderson, inspired by the example of door-to-door encyclopedia salesmen, began canvassing to raise money for Citizens for a Better Environment. Anderson introduced canvassing techniques to Ralph Nader's network of Public Interest Research Groups and to Citizen Action, a group of liberal state organizations that were emphasizing economic issues. Other national organizations, including Greenpeace, ACORN, Clean Water Action, and SANE-Freeze, now use canvassing to fund their operations.

Contributors to canvasses tend to be less well-to-do than direct-mail donors and more receptive to middle-class or even

FIGURE 2. Donors to Citizens Action from Door-to-Door Canvassing, 1988.



Source: Citizen Action.

working class economic issues. Two years ago, Citizen Action did a profile of its donors (see Figure 2) and found that 58 percent have household incomes of less than \$40,000.

Unlike the direct-mail donors, Citizen Action's donors identified jobs and unemployment as key issues. Yet Citizen Action's donor base was by no means working-class. One-third or more of those from thirty-five to fifty-four years old earned \$50,000 and half of the donors identified themselves as either managers or professionals. Canvassing does widen the political universe in which groups operate—making it possible to raise money for economic issues—but it does not alter it dramatically.

When organizations began using canvasses for raising money, they also saw it as a way of educating citizens and gaining active members. Most canvassing groups continue to call their donors "members," and canvassers ask people not simply for donations, but to buy a membership. But over the last decade, canvassing has degenerated into a fund-raising technique

for professional organizations that are run by their staff. Jo Patten, an official of a Chicago citizens group who has been active in several canvassing organizations, says, "Technically, it is membership, but membership means nothing. You can have no impact on the organization. Internally, it is viewed as first and foremost a fund-raising method."

Adoption of a canvass has even led some organizations to abandon the group's grassroots tradition. In the early 1980s, the peace organization SANE adopted a canvass to raise money. When it proved highly successful, SANE's director changed the organization from a chapter-based, activist group into a professionalized, staff-driven Washington organization with paper members recruited by the canvass. By 1988, when it merged with the nuclear freeze movement, SANE had become a Washington-based fund-raising shell.

Harry Boyte, the author of *Community is Possible* and an early proponent of canvassing as a means of building democratic organizations, is now disillusioned with its results. "Organizations that are heavily canvass-based not only pose issues in black and white, but lose any possibility for a strong membership base, because the money doesn't come from the members," Boyte observes. "The members don't have a sense of ownership or the challenge of raising money. [Saul] Alinsky is right that people don't have any strong stake in an organization unless they own it."

Yet for national organizations that deal with gas prices, health care, toxic waste, and other working-class economic issues, canvassing remains far more viable than direct mail or soliciting financial help from foundations, corporations, and unions. Direct mail does not work with people worried about their jobs; foundations and corporations appear interested only when discrimination occurs or when the poor huddle in front of Park Avenue apartments; and unions have their own diminishing membership to worry about.

Sociologist Pamela Oliver believes that

the degeneration of organizations using the canvass into professional advocacy groups is the result of the decline of public political activity over the last decade rather than an outgrowth of the canvass itself. "Canvassing is a poor way of raising money," says Oliver, "but what is the alternative?"

Oliver is probably right, but the point remains: Canvassing by itself does not currently contribute to genuine mass membership organizations any more than direct mail does. And in the absence of a popular upsurge outside Washington, the existence of several national organizations that rely on canvassing has done little to mitigate the overwhelming tie of most Washington organizations to upper- and upper-middle-class wealth and concerns.

The New Power Centers

Political democracy has been breaking down in Washington. The breakdown began with the decline of the political parties. The parties have lost much of their power and coherence, the victims of misguided reform and the replacement of the precinct captain and street corner rally by the political consultant and television advertisement. Popular institutions that supported a civic political culture—the labor union, the neighborhood bar, and the ward organization—have withered or disappeared.

The new lobbies, research groups, and think tanks that have arisen over the last three decades have not provided an alternative link between citizens and their government. Instead, they have become centralized bureaucracies as remote from the average citizen as the government itself. Moreover, these new organizations—through their focus on single issues or through studied avoidance of partisanship—have contributed further to the decline of parties and of politics as a process of public deliberation and compromise toward common ends.

In the 1950s, pluralist theorists vastly overrated the power of the labor movement to act as a countervailing force to business, but labor in that era was a hulk-

ing Behemoth compared to what it has become. While labor's role in politics and pressure groups has steadily diminished, the power of business has vastly increased. Business and its organizations and lobbyists dominate the higher reaches of both political parties in Washington and set the agenda in the debate over the economic issues that directly concern it. About 8,500 of the 12,500 lobbyists, consultants, and lawyers listed in the current *Washington Representatives* work for American and foreign corporations.

As labor's role has diminished, business's lobbying has become narrower and more self-interested. It has had to concern itself less with challenging labor's right to speak for the entire society and more with securing its prerogatives and profit margins.

If there is another power center in Washington, it is the organs of social liberalism and environmentalism—groups like NOW, NARAL, Common Cause, Handgun Control, the Children's Defense Fund, the World Wildlife Fund, and the ACLU. Together, they employ about 2,500 Washington lawyers, lobbyists, and public relations experts on their behalf. The power of these organizations now dwarfs that of the conservative social-issue organizations, lending credence to the charge that liberals rule Washington. But these organizations represent overlapping constituencies with many of the business groups. They do not reflect a competing, but often a complementary vision of society: one that combines fiscal conservatism with a firm opposition to environmental pollution and racial and sexual inequality. The liberalism of these organizations bears little resemblance to the economic liberalism of the New Deal and the labor movement. They represent the triumph of Hollywood, Cambridge, and New York's Upper West Side.

These two forces—business/economic conservatism and well-to-do social liberalism—have ruled American politics over

the last fifteen years. During this time, Washington's politicians have fought off attempts to weaken environmental and social legislation—even passing a strengthened Clean Air Act and a new Civil Rights Bill. But they have also acceded to a massive redistribution of wealth from the poor and lower-middle class to the upper-middle class and the wealthy, while acquiescing in the deregulation of corporations and banks. National Democrats have been particularly victimized by the erosion of parties and the growth of these new centers of power. Last spring, as the recession deepened, Robert Andrews, a freshman congressman from Bellmawr, New Jersey, recounted to me his utter bewilderment at how Washington works. While Andrews's constituents in his working-class Camden County district were becoming increasingly nervous about their jobs, Congress was preoccupied with the Brady gun control bill and a new version of the civil rights bill—measures, however meritorious, that were of no interest in his district. Echoing Ronald Reagan, Andrews described an "iron triangle" of interest groups that were dominating the Democratic Party and preventing it from attending to its traditional working-class and middle-class base. As a newcomer, Andrews saw clearly what many veteran Washington Democrats have accepted with resignation.

The Democrats' traditional middle class constituency "Roosevelt's forgotten men and women" have also been losers in this transformation of Washington politics. Many of them know that they are better off because unions exist; they are far more concerned about jobs, taxes, and health insurance than about abortion, gun control, or exotic wildlife. As the pressure groups in Washington have proliferated, as billions of dollars have poured into the city to fund lobbies, PACs, and so-called public interest groups, these Americans have found themselves on the outside, watching with growing dismay as their own fate is decided by men and women they never elected, funded, or supported. ♦

A Lost Political Generation?

Jonathan S. Cohn

The Doofus Generation. That's what *The Washington Post* calls those of us in our twenties, who came of political age during the 1970s and 1980s. In the eyes of many observers, we are indifferent and ignorant—unworthy successors to the baby-boom generation that in the 1960s set the modern standard for political activism by the young.

To an extent, they are right. My generation has become acquainted with political realism, and cynicism, early in life. But it is a mistake to equate such cynicism with a lack of moral compassion or concern about public issues. As much as previous generations, we have ideals—strong ones, in fact. Most of us just do not expect to achieve those ideals through electoral politics, and that expectation frames our distinctive generational crisis: Although we want desperately to act according to our ideals, we lack the experiences to turn our idealism into an activist politics.

This perspective on politics transcends traditional ideological labels and is the product, largely, of our historical circumstances. Although we

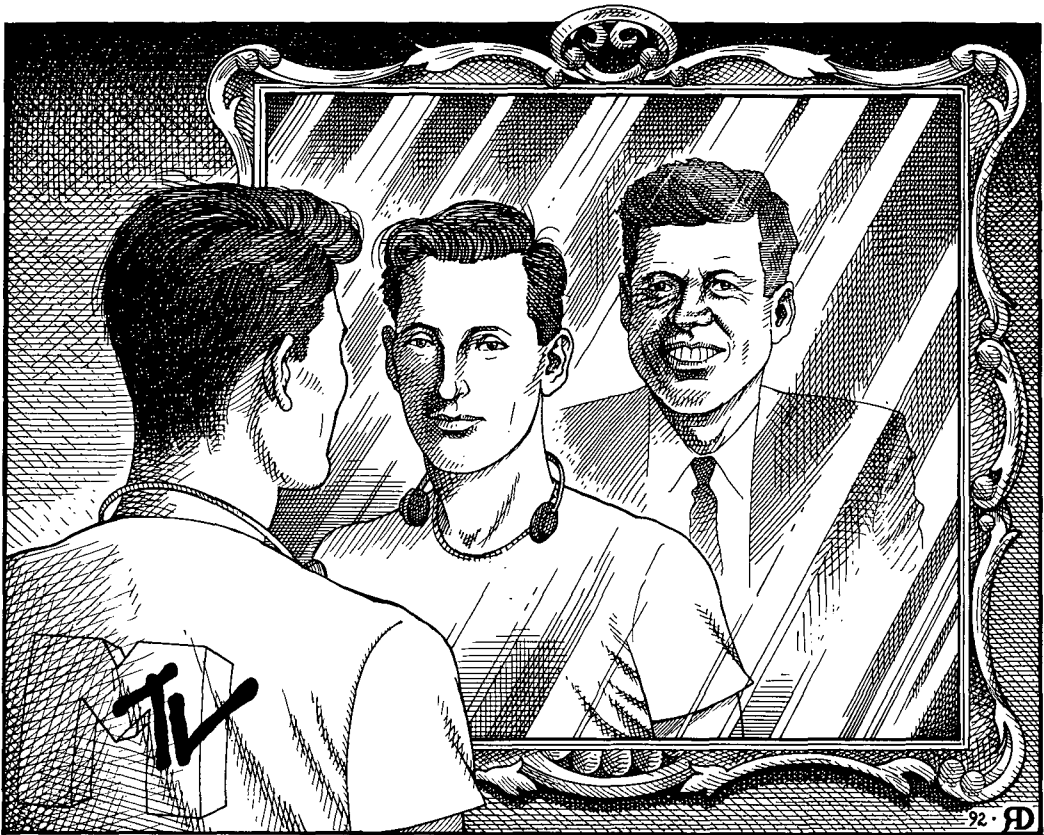
read about Franklin Roosevelt and John Kennedy, the New Deal and the Great Society, we came of age at a time when government neither undertook bold new initiatives nor gave definition to the nation's long-term purpose. Now, reared in an environment devoid of effective government activism, we have come to see politics as irrelevant to achieving the ideals that matter to us. We remain generally sympathetic to egalitarian values, but have no patience for government as an instrument of reform.

If political life in the 1970s and 1980s elicited similar responses from other generations, its impact on my generation was unique in one crucial respect. Accounts of the baby boomers tell a story of disaffection, of idealistic expectations gone awry, but we never developed their illusions in the first place. Unlike the boomers, we never

thought that government could be a positive force in our lives.

To be sure, my own outlook reflects an upper-middle-class bias. But polling data and conversations with dozens of young people over the last few months—from the New Hampshire campaign trail to the New Jersey industrial belt—show these sentiments are not limited to one end of the socio-economic spectrum. For all of our differences, we still articulate one strikingly coherent theme: that government is increasingly remote, and that politics is no longer an avenue for achieving progress.

The mixture of moral idealism and political cynicism that many of us feel is inherently unstable; how long we can sustain it is difficult to tell. One thing is certain, however: With few exceptions, we have disengaged from politics, and that is something that should worry all Americans. Our



disaffection should serve as an imperative for more inspiring national leadership—if not for the sake of progressive reform, then for the sake of democracy, whose very legitimacy depends on an electorate far more involved with politics than we are.

Visions of Camelot

This notorious distaste for politics was not readily apparent in New Hampshire this winter. Twenty-four years after the invasion of "Clean for Gene" McCarthy kids, a new army of student volunteers arrived to make their own mark on the New England landscape. Drawing sustenance from a steady diet of corn chips, pizza, and politics, these stubbornly energetic young people—dubbed the "foot soldiers of democracy" by one local newspaper—dedicated themselves to the perhaps naive notion that they could change the nation's future. And after one chilly morning of canvassing through Manchester, a few of these activists took great offense when con-

fronted by the conventional assessment of our generation's political commitment.

"What, have you been talking to baby-boomers or something?" bristled Stephanie Miner, a twenty-one-year-old volunteer for Bob Kerrey. Shivering over a cup of coffee—her first nourishment in nearly a day—Miner wrote off the dismissals as more hypocrisy from the hippie-turned-yuppie children of the 1960s. "Here they always talk about how they marched and protested, and now they're the same ones who are stepping over homeless people to buy Rolexes. We're better than that."

"Don't tell me my generation isn't doing anything," agreed Alison Fong. A week after arriving in Manchester, Fong, twenty-three, already showed the symptoms of campaign exhaustion—bleary eyes, a hoarse voice, and a red nose—and offered up her bedraggled condition as proof that the stereotypes are wrong. "We don't wave around huge words and slogans that, in and of themselves, don't get anything done."

But we're much more realistic about what we can do. And we do it."

By their own admission, Miner and Fong are atypical. Their enthusiasm for politics (and mine, I suspect) is very much the product of the unusual affluence and education that are standard among New Hampshire volunteers. But the undercurrent of realism in their outlooks reflects the

The mixture of moral idealism and political cynicism that many of us feel is inherently unstable; how long it will last is hard to tell.

pervasive cynicism that infects most people our age. That cynicism is the basis of our unique generational perspective, and it is what links activists like Miner and Fong to Carolyn Berrios, a shopping mall employee from a working class community near Trenton, New Jersey.

Berrios, eighteen, professes an ignorance of national affairs. When prodded, however, she offers some strongly held opinions on such issues as abortion, the environment, and even the economy. So why not pay attention to the candidates and the parties? "It just doesn't seem to matter," she says. "Maybe if someone like Kennedy were around. From what my parents have told me about him, he really touched people. That would make a difference."

Kennedy, Kennedy, Kennedy. Even before Oliver Stone made his controversial film, and punctuated it with a dedication to the nation's young, the legacy of JFK loomed larger than life over our childhood and adolescence. On college campuses, posters of his likeness adorn dormitory walls (they are among the best-selling items at Harvard's student store, the Coop). On the radio, hit songs resurrect his name (the lyrics from a recent Guns'n'Roses track: "In my first memories they shot Kennedy...").

Whether JFK the man was anything like

JFK the myth is the topic of frequent debate. Detractors note his inability to complete a legislative program, his inconsistent foreign policy, and his extramarital affairs. Yet those shortcomings make the obsession with Kennedy all the more telling. Those of us who look to Kennedy as a hero do so because we lack any similarly inspiring figures of our own. If Kennedy has assumed a legendary status disproportionate with his achievements, it is precisely because his successors in the White House (not coincidentally, I think, his predominantly Republican successors) have so consistently failed to arouse our passions. "Political leaders are not only failing to impart citizenship values," observe the authors of "Democracy's Next Generation," a 1989 survey of youth opinion issued by People for the American Way, "they are actually alienating young people from public life."

My generation woke up to politics amid the worst scandal in American history. "Mommy, who's that?" I remember asking as I watched the gaunt figure on television. "That's Tricky Dick," she replied. "He's bad." And so went a simple but pointed lesson, taught in millions of households: The President of the United States was not a man to be respected. Our parents perhaps meant only to indict one individual, but for a grade-school population still learning the basics of American government, an indictment of the President was an indictment of the entire system.

Richard Nixon's successors restored trust in the government. But they did little else to raise our still malleable expectations about what politics could actually accomplish. We remember Gerald Ford, if at all, as a bumbling "Saturday Night Live" caricature. We remember Jimmy Carter as a weak leader, who wore cardigan sweaters around the White House and let a fanatic Islamic leader hold us hostage for more than a year. By 1980 our parents lamented how bad things had gotten, but for us it was just more of the same.

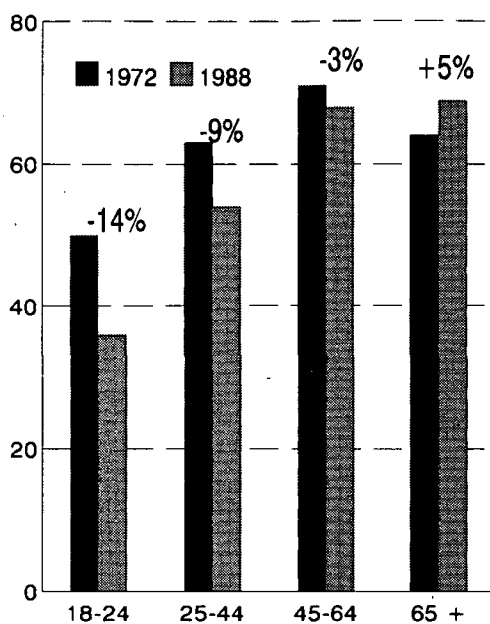
And then there was Ronald Reagan, who told us it was morning in America. As much as older Americans, we were fans of the Gipper. Unfortunately, the most basic tenet of Reaganism was a distrust of government, and under Reagan we either came to disrespect government because it did not touch our lives or respect it for the very same reason. Either way, the effect was the same, as former Democratic presidential candidate Gary Hart told me recently: "My generation got into public life the degree to which it did because of John Kennedy and the inspiration about citizen obligation. The next generation was turned off to public service ... [Reagan] in effect told people not to become involved in government."

Hart is right. Twenty years ago, an inspired baby boom generation came to politics amid great expectations of their electoral potential. Patrick Caddell, George McGovern's pollster and later Hart's top adviser, eventually suggested generational politics as the centerpiece of Democratic strategy in the 1980s. A platform that appealed to boomers' generational identity and longing for "new ideas," Caddell said, could put the right candidate over the top.

Of course, those hopes were never fulfilled, as the baby boomers became increasingly disinterested in politics. Now, lacking a catalyst (a role Hart once was poised to fill) and with the 1960s fading into historical memory, the chances that political leaders will ever fully capitalize on the baby boomers' distinctive yearnings seem increasingly remote.

Still, even the boomers never disengaged as dramatically as we have. According to "The Age of Indifference," a 1990 survey conducted by the Times-Mirror Center for the Press and Politics, "Today's young Americans, aged 18 to 30, know less and care less about news and public affairs than any other generation of Americans in the past 50 years." Similarly, Linda and Stephen Bennett, authors of a recent book, *Living with Leviathan*, write that "among the youngest, best-educated segments of our society, the concept of democratic citizen-

Figure 1. Change in Presidential Voting Participation Rates By Age, 1972-1988.



Source: U.S. Bureau of the Census.

ship is in serious decline."

Analyses like these suggest our generation's cynicism about politics is fundamentally different from the cynicism that characterizes the baby boomers, who still have what Caddell once described as a "dormant idealism"—a sense that political leadership, in the right hands, can make a difference. Politicians can appeal to the boomers' sense of civic obligation knowing that somewhere, buried beneath the thinning hair of middle age, the activist flame flickers. That seed of idealism is a crucial ingredient in political enthusiasm, and it is almost completely absent in my generation's consciousness.

When our elders grew up, government was a consistent part of their lives, launching bold initiatives or calling upon citizens for broad sacrifice. The New Deal. The mobilization for World War II. The GI Bill. The Great Society. These government initiatives reinforced the connection between

citizen and state and infused young people with a sense that government could advance their lives. We never had such experiences. While the programs of the New Deal and Great Society continued to affect us—arguably, government was more active during our childhoods than ever before—we took those programs for granted, and, absent any new initiatives to grab our attention, we came to believe politics was tangential to our lives.

Other factors have contributed to our sense of distance. Kennedy successfully connected with youth in part because he, too, was young. Since his day, however, the White House has aged along with the country. Every president since Eisenhower was born in the same sixteen-year period, from 1908 to 1924, and that has widened the perceived gap between the presidency and the young electorate. "Fresh ideas can come from tired old politicians," says Peter Cleary, a young staffer at the Environmental Defense Fund. "But they don't have the same fresh appeal that will make a difference with young people."

Identifying with government has been even more difficult for women and members of minority groups. Reared in a climate of increasing multiculturalism (particularly on college campuses), they are now heirs to a political establishment inconsistent—particularly at its highest level, the presidency—with their expectations of diversity. As a result, activists like Rusty Terry—a black volunteer for the Tom Harkin campaign—are very much the exception in places like New Hampshire. "Within the Black Students Union, they don't get involved with politics," says Terry of his classmates at the University of Rochester. "They say it's not for them, so why should they even get involved in the first place?"

In the end, though, this is all part of the same phenomenon: Government for my generation has become a distant, insignificant entity. We are thankful if it is merely free of corruption and expect it to produce

little progress that will affect us. That sentiment may belie the extent to which government does improve our lives, but it is the only logical conclusion most of us can draw from our experience.

Liberal Ambivalence

Paul Tsongas is an unlikely generational hero. Relatively uncharismatic, he relies on a puritanical, "take your medicine" tone to woo voters—hardly a formula for capturing the imaginations of young people. But Tsongas has enjoyed widespread support among youth throughout the campaign. His "Economic Call to Arms" struck a chord with intellectually minded college students early on, and since then his no-frills campaign style has played perfectly to my generation's deep-seated cynicism about slick politicians.

At a New York fund raiser in February, that support was evident. New Hampshire's momentum had brought Tsongas to Astoria, Queens, which boasts one of the largest Greek populations outside Athens. But conspicuous among the boisterous ethnic crowd was a regiment of Tsongas student volunteers—mostly white, pre-professional types from Columbia or New York University. Bitter weather and rush-hour congestion had made the half-hour commute from Manhattan all the more difficult, but the Tsongas message and peculiar brand of charm had the students far too mesmerized to complain.

"I chose this party because it was my parents' party, but I have yet to see a candidate who was forward thinking and was honest about what needed to get done," bubbled Joanie Patterson, a twenty-three-year-old student at Columbia. "Tsongas isn't afraid to tell the truth, and, for the first time, I can vote and enthusiastically support a candidate who has something to say and something to do that will actually make a difference in the country."

Patterson's qualified liberalism is typical of our generation. Although we led the nation in our support for Reagan, we harbor no great love for the Republican Party. In

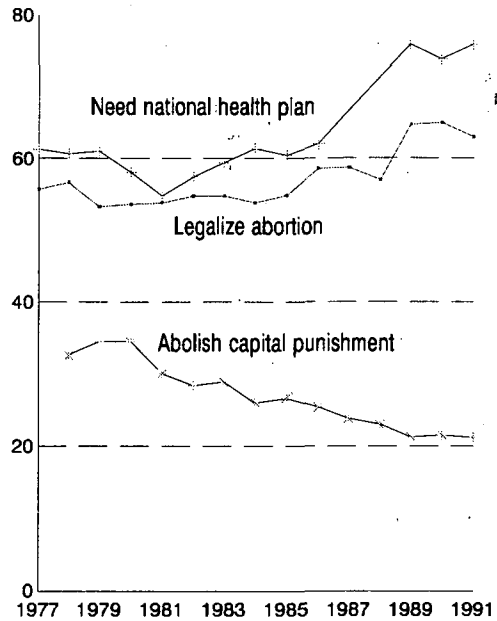
fact, we overwhelmingly reject the social agenda of Republicanism and are comfortable voting for Democrats (indeed, for anyone) who offer us hope of improvement or mere competence. But our disengagement from politics—our refusal to see politics as the path for achieving our ideals—makes us hesitant to embrace platforms of wide-ranging progressive reform. Thus, like Patterson, most of us find more appeal in a Paul Tsongas—as opposed to a Mario Cuomo, a Jerry Brown, or even a Bill Clinton—because his agenda embraces our social attitudes but stops short of affirming government as a positive force.

Most everybody concedes that young America's love affair with Ronald Reagan during the 1980s had more to do with the man and his leadership style than with his conservative social agenda. "I fell in love with Ronald Reagan in the fifth grade," confesses Steve Satran, executive director of College Republicans of America. "He made quite an impression. I just liked the things he said about America and the future." And so did the rest of us. Says CNN's Guy Molyneux, formerly a leading activist with Democratic Socialists of America, "Those party attachments [of the 1980s] were more performance-based than ideology-based. That makes it a lot more fragile."

Well, not totally fragile. Conservatives note correctly that young voters have bought into one prominent area of Republican social ideology: law-and-order issues. We have much less patience for the rights of criminals than our elders did, and give unprecedented support to the death penalty. Also, we oppose legalization of marijuana and profess more concern about drug abuse than did people our age a decade ago.

But the conservative views of law and order are the exception. Strip away our fear of crime and what remains is a generation as liberal as any before it, if not more so, at least on issues not specifically linked to money. According to the UCLA/American Council on Education national survey of

Figure 2. Changing Attitudes Among College Freshmen



Source: UCLA/American Council on Education National Survey

college freshmen, first conducted in 1966, student support for abortion rights hit 64 percent four years ago and has remained stable ever since. Today, 76 percent of freshmen think health care should be a right—the highest ever—while only 42 percent think government should pass laws banning gay relationships—the lowest ever (although an alarmingly high figure, nonetheless).

Such liberal social attitudes should come as no surprise. Folk wisdom has long held that young adults, still in the throes of post-adolescent rebellion, are the most predisposed toward challenging the status quo. And while this purported receptivity to change is occasionally disputed, there is another, even more plausible explanation for our progressive ideals: We are the product of the most explicitly open-minded culture in American history.

Many of us attended integrated schools, and thus knew only an environment officially, if not actually, intolerant of blatant

discrimination. During our lifetimes, Heathcliff Huxtable of "The Cosby Show" replaced Howard Cunningham of "Happy Days" as our national surrogate father, while Magic Johnson and Michael Jordan succeeded Joe Namath and Pete Rose as our national sports heroes. Most of us received from our parents and culture a clear message about social values—a commitment to egalitarianism and tolerance unprecedented in the nation's history. That message may not have meshed with reality, and may have reached some of us more powerfully than others, but it left nearly all of us with something to which we could pin a strong liberal social identity.

But Americans vote with their pocket-books, too, and it is on the fiscal front my generation's striking conservatism emerges. Although we endorse the philosophy behind the social safety net, we remain skeptical about welfare programs and other specific initiatives. We profess egalitarian attitudes but are unwilling to spend taxpayer money to realize such goals.

One possible explanation for our fiscal attitudes is the difficult economic circumstances that confront us. As young people entering the work force, buying our first cars and maybe even homes, we are particularly vulnerable to the middle-class squeeze. With wages shrinking and job opportunities lacking (thanks to the dwindling industrial sector and the boomers occupying all the good mid-level positions), we have always looked to the financial horizon nervously. Now, the recession has realized our worst fears and, so it would seem, made us all the more stingy. According to the ACE/UCLA survey, young people increasingly cite financial well-being as a goal in life (from 44 percent in 1966 to 78 percent in 1992), and show less support for welfare state programs. As Lorraine Voles, press secretary for the Harkin campaign, says, "You'd be surprised at just how conservative young people can be."

But how so? Our fiscal conservatism

clearly does not represent a rejection of social or even economic egalitarianism. According to the Bennetts, "measures tapping egalitarian opinions show the young to be more in favor of expanding equality than older cohorts." Citing national election surveys by the University of Michigan's Center for Political Studies, they found that my generation expressed "the most egalitarian opinions" of any. While such a discrepancy between philosophical and actual support for social welfare programs is not unusual, it is telling. It suggests that our low opinion of government—not some crude economic selfishness or a lack of class consciousness—is the major reason we are so skeptical of the social safety net and other government spending programs.

This, of course, is still Republican political territory, and that points to the real problem my generation poses for liberals. Even though our sympathies lie with the liberal causes traditionally championed by the Democratic Party, our refusal to believe in government is positively Reaganesque. Political liberalism requires not only a desire but a willingness to act. By straddling the ideological divide over fiscal and social attitudes, we demonstrate no such willingness. The fact that our attitude reflects a skepticism about government efficacy and not a true sympathy for the status quo is of little relevance once we get to the voting booth.

We are not alone in this disposition. As recent elections have shown, the "centrist" message of social liberalism and fiscal conservatism has broad appeal, particularly among disillusioned baby-boomers. But that, alas, is to be expected. Generations are supposed to get more fiscally conservative as they grow older. My generation has no such excuse. Our acceptance of that outlook while still so young does not bode well for the progressive causes.

The prospects for liberal reform in America, then, rest on one hope: that our egalitarian sensibilities run deeper than our cynicism about politics, and that our sense of social justice makes us uncomfortable bridging this ideological divide. If that is the

case, our current disposition may be more unstable than anybody realizes.

Music Video Politics

Two Sundays before the New Hampshire primary, television's talk-show circuit was abuzz with the usual campaign gossip. On ABC, the venerable David Brinkley pressed Bob Kerrey on whether he could win an election on national health care alone. Over at the McLaughlin Group, the feisty Fred Barnes clung to his prediction that Mario Cuomo would enter the race. And on MTV, the trendy Tabitha Soren reported that a well-crafted appeal on education and the environment could swing New Hampshire's youth vote.

Welcome to politics, music video style. Over the last year, MTV—much maligned as the bane of contemporary youth existence—has attempted to resurrect the marriage of pop culture and politics consummated in the 1960s. Sporting brightly colored attire (Soren seems partial to loud green and orange), the MTV News crews are a conspicuous if irregular presence on the campaign trail, and have managed to produce a considerable body of coverage.

Granted, Soren is no Walter Cronkite. Discussion of economic stimuli and trade policy juxtapose uncomfortably with dizzying cutaways and thumping rhythm tracks. The broadcasts don't exactly challenge the intellect, and person-on-the-street quotes like "I think Dan Quayle is hot" serve primarily to reinforce the most negative stereotypes of our generation.

Yet MTV's broadcasts are refreshingly upstart. Overcommercialized cable networks may be no substitute for underground newspapers, but MTV does reach a lot of us. The mere fact that this profit-minded enterprise would even contemplate a political agenda at all suggests that an audience exists. It suggests that we, too, are uncomfortable with our professed indifference to politics, and that we cannot forever stay disengaged from politics when we want so badly to make a difference.

Our continued activism outside of elec-

toral politics substantiates this prognosis. According to the national survey of freshmen, the probability that we participated in national, state, or local political campaigns during the last year has fallen by nearly half over the last two decades—from 16.5 percent in 1969 to 8.7 percent in 1988. Yet, while this may surprise baby-boomer activists, we are more than twice as likely as they were to have participated in organized demonstrations. In 1966 only 15.5 percent of the survey's respondents reported having participated in a protest during the previous year; by 1990, that proportion had jumped to 39.4 percent (Oddly, the organized demonstration question was not

The prospects for liberal reform rest on one hope: that our egalitarian sensibilities run deeper than our cynicism about politics.

asked during the late 1960s, when the anti-war movement was at its peak.) Perhaps the most telling statistic of all is the observation that "students are becoming increasingly interested in bringing about social change." Although interest in electoral politics continues to fall, the percentage who say they want to influence social values has increased from about 35 percent in 1968 to roughly 43 percent in 1991.

In Washington, grass-roots activists tell a similarly confounding story. Ask us to campaign for an elected official or a new bill in Congress, and we respond with what Molyneux terms "a kind of militant apathy." But ask us to work on something in our home or community, and our attitudes change dramatically. Says Cleary of his experience at the Environmental Defense Fund: "Young people, especially, have latched onto the environment as an issue because it's something they feel capable of affecting themselves, in their day-to-day lives."

The same goes for campaigns that chan-

nel deep-seated feelings about so-called moral issues into small communities where young people know their voices will be heard. Contemporary college campuses may not witness the Vietnam-inspired revolts that marked the 1960s, but they still see vocal activism on everything ranging from acquaintance rape to faculty diversity. Last fall, *Ms. Magazine* chronicled the rise of "New Campus Radicals," feminist students committed to changing the social environments at their schools. The article sensed "change is in the air"—a prediction since realized in the policies on acquaintance rape adopted on many campuses.

We profess indifference but hear the call of our socially idealistic upbringing. Activism still captures our imagination. "The problem," says Mary Beth Maxwell, organizing director for the United States Student Association, "is people are not seeing a connection between the ballot box and the issues they care about." Given the extent to which my generation remains interested in issues, this is likely a temporary situation. And if leaders can somehow reestablish the connection between issues and voting, we might well embrace—indeed, insist upon—an activist government committed to our own progressive agenda.

The New Generational Politics

Shortly before his death, an unusually philosophical Lee Atwater said he detected something missing in the American consciousness. For all the success of Reagan, he said, Americans wanted something more out of life. He was right. Americans are missing something—a sense of direction and progressive evolution—and no generation feels that longing more powerfully than the young, who maintain high ideals for society but see politics as irrelevant to realizing those dreams.

The recession has, for the moment, staved off our civic decline. Like all Americans, we have looked to the government

for economic recovery. As a result, people who might not otherwise have given politics a chance—people like Jim Finn, a twenty-five-year-old volunteer with the Kerrey campaign—have waded into the political waters. "I saw that politics in general needed to make a difference. That's why we're all here." "The people here are true believers," adds Bill Crowley, a twenty-three-year-old staffer for Tsongas. "They know they're making a difference. They'd kill or die for the cause."

But crisis-driven civic virtue is not enough, for when the crisis evaporates—as it will eventually—so will the enthusiasm. To save the political spirit of young America, government must do more than cure the current recession. Even as it acknowledges our low expectations of government activism—an acknowledgement upon which my cynical generation will insist—it must address some broader goals that embrace our generation's relatively high ideals, and restore to this nation a sense of long-term direction. Only by doing that can government capture our attention and enthusiasm.

And only from the left can such initiative come. For all of our conservative attitudes toward the role of government in society, we have a profoundly different notion than conservatives do about what our society should look like. Even as we say we are content to solve public problems without engaging in politics, we long for the very public solutions—equal economic opportunity, a clean environment—that only politics can achieve.

We want desperately to act, to make a difference in the world during our lifetimes. A liberal political agenda not only relevant to our daily lives but also committed to our high ideals would capitalize on this instinct. When government seems to us both capable of and willing to embrace those goals, we will reengage with the political world. ♦

The Great Environmental Awakening

Mark Sagoff

Increasingly, we are all environmentalists," Richard Darman, director of the federal Office of Management and Budget, observed in a 1990 speech. "The President is an environmentalist. Republicans and Democrats are environmentalists. Jane Fonda and the National Association of Manufacturers, Magic Johnson and Danny DeVito, Candice Bergen and The Golden Girls, Bugs Bunny and the cast of Cheers are all environmentalists."

Yet, in Darman's view, the embrace of environmentalism is nothing to celebrate. If Americans want to keep faith with the American Romance and its commitment to individual initiative, risk-taking, and economic growth, he went on, they should reject the ideology of the environmental movement. "Americans did not fight and win the wars of the 20th century to make the world safe for green vegetables," he complained, warning that we seem to be turning into "a risk-o-phobic society."

Darman is hardly the first to contend that the values of environmentalism contradict those that have traditionally defined the American national character and the American Dream. Nonetheless, public opinion research amply confirms the popularity of environmentalism. An August 1991 *Wall Street Journal* poll revealed "that concern and awareness of environmental problems are all but universal: eight in ten Americans regard themselves as 'environmentalists' and half of those say they are 'strong' ones." In a 1989 *New York Times*/CBS poll, 80 per cent of those asked agreed that "protecting the environment is so important that standards cannot be too high, and continuing environmental improvements must be made regardless of cost." Among many surveys reaching similar results, the most amusing may be a recent Harris poll in which most

respondents "rated a clean environment more important than a satisfactory sex life."

Across the Ideological Divide

During the late 1970s and early 1980s, both conservative and liberal social theorists argued that environmentalism represented a historic departure—conservatives chastising environmentalists as opponents of traditional values, and liberals praising environmentalists as prophets of a new culture. Americans, they agreed, have historically shared a "dominant social paradigm" that includes a commitment to personal liberty and property rights, materialism, faith in science and technology, and optimism about economic growth and abundance. Environmentalism, for better or worse, seemed to break with those values.



According to this analysis, environmentalism belongs on the left of a deep political divide. Peter L. Berger, a conservative sociologist, saw the divide as arising between those who do different kinds of work. On the left were those working in the knowledge industries, manipulating symbols and ideas, who tended to support a liberal agenda of affirmative action, gender equality, gun control, and welfare programs. On the right were those like farmers and blue-collar workers who manipulate things and tended to oppose such policies.

Berger and other analysts such as Aaron Wildavsky, a political scientist, charged that comfortable, upper-middle-class liberals favored environmental policies that would hobble economic growth, which the still-striving, lower-middle class saw as being in its interest. In *Risk and Culture*, written with the anthropologist Mary Douglas, Wildavsky argued that environmental doom-sayers raise fears to constrain other people's economic opportunities and keep political power to themselves.

A significant number of environmen-

talists, especially in academia, lent credibility to this conservative analysis by calling explicitly for a paradigm shift away from what social scientist James Swan called "the basic values which have built our society" and that lie "at the root of the ecological crisis." These writers often spoke of limits to growth and conceded, as philosopher Robert Paehlke put it, that "the environmental movement harbors a strong asceticism embedded in doubts about the North American consumer lifestyle."

Reagan's Error

In line with conservative political analysts, President Reagan's advisers, who gauged the national mood correctly on virtually every other issue, identified environmentalism as a preoccupation of upper-middle-class suburban liberals. Reagan's rhetoric as well as his appointments—especially James Watt as Secretary of the Interior and Anne Burford as Administrator of the Environmental Protection Agency (EPA)—alarmed and incensed environmentalists. In political speeches, Reagan sniped at "en-

vironmental extremists" who made it hard for him to get the government off people's backs. The Republican Study Committee, to which most Republican congressmen belonged at the time, likewise declared that "environmental groups represent only a minority fringe of the American public."

Yet Reagan succumbed to the strength of environmentalism in his own constituency and found himself obliged to replace Watt and Burford. The Reaganites' early assumptions about the marginality of the environmental movement turned out to underestimate its strength.

Starting in the 1970s, social scientists began testing the thesis that environmental concern is concentrated in the suburban upper-middle class. In the early 1980s, the National Wildlife Federation commissioned studies to determine where its membership stood on the environment. Its leaders wished to put the organization's weight behind efforts to oust James Watt, who had described environmental groups as "hired guns" who cared more about "membership, dollars, and headlines" than about the environment. Roughly two-thirds of the members of the federation, however, were (and still are) hunters and fishermen, often living in the American heartland. Many voted for Ronald Reagan and presumably agreed with his conservative agenda.

The results of these studies were surprising. The hunters and fishermen stood with the suburban membership in favoring strong environmental regulation. Other sources corroborated these findings. By 1984 public opinion surveys showed overwhelming public support for environmental protection, up dramatically since the Carter years. Armed with this information, the National Wildlife Federation then threw itself behind the political effort that forced Burford and Watt to resign and the Reagan administration to appreciate the political strength of the environmental movement.

The greening of the blue collars may strike us as an anomaly. Have Americans

who believe in risk-taking and economic growth climbed aboard an environmental bandwagon apparently going the other way? Has the nation lost its pioneering spirit? Or has environmentalism adopted the values of the American Romance?

Have Red-Blooded Americans Turned Green?

Many mainstream Americans long skeptical about environmental regulation have become stewards of the environment. Farmers and car enthusiasts—if magazines they read reflect their views accurately—exemplify this shift of opinion over the last two decades. A perusal of the most popular farm magazine, the *Farm Journal*, and of the best-selling car magazine, *Car and Driver*, confirms the broad shift in public opinion social scientists have tracked through society as a whole.

The *Farm Journal* in the early 1970s routinely excoriated "dictatorial bureaucrats," "the crazy antics of OSHA," and the prospect of "farming by permit." Columnists deplored the banning of pesticides like aldrin, chlordane, and heptachlor. One editorial complained: "For 25 years these were important tools and performed efficiently and safely. There is virtually no evidence that these chemicals caused any threat to anyone."

Three articles in the 1976 *Farm Journal* illustrate the suspicion with which farmers viewed the environmental movement. "Will You Go to Jail Over Erosion?" voiced the complaint of many readers that environmentalists were "trying to preserve the farms without preserving the farmers." An editorial, "'Organic' Foods: Today's Big Rip-Off," ridicules "natural food cults." "Only ignorance of nature," the editorial contended, "leads one to label as 'artificial,' fertilizers which are mined from the earth or made from 'natural' gas." On the brighter side, an article announcing "A New Wave of Hard-Hitting Pesticides" promised that variations of familiar chemicals will overcome pest resistance "to keep the time-tested chlor-

inated hydrocarbons, organophosphates and crabamates in the fight."

By 1989, however, the *Farm Journal* had gone over to the other side. The editors proudly introduced a monthly section called "Environment Today." Articles appearing that year praised organic farming and other low-input techniques practiced by farmers in a new movement "driven by a desire to reduce production costs and protect the environment."

Since then, the *Farm Journal* has printed dozens of articles favoring environmental regulations and urging farmers' compliance. The *Journal* exhorts farmers to "Make Room for Diversity" by protecting wildlife. It tells them to recycle and to minimize toxic wastes. As part of its "Stewardship Campaign," the *Journal* regularly covers practices aimed at conservation. In "Today in the Country," farmers answer the question "How do you protect the environment?" The *Journal* will now sell you a "Proud to be Conservation Farmers" sign to "let people know you're a good steward."

Car enthusiasts have traveled the same road. *Car and Driver*, a magazine popular among macho motorists, has come out for "the global environment." For two decades, the magazine railed against Ralph Nader, the Clean Air Act, Eco-Fascists, endangered species programs, seat belts and air bags, speed limits, welfare cheats, and all regulations devised by "the bloated civil service, the feeders at the public trough."

In the November 1988 issue, however, veteran columnist Brock Yates, who for years assailed the EPA bureaucracy, wrote: "Like it or not, our beloved car is an irksome source of pollution, urban congestion, and excessive fossil-fuel consumption."

In the August 1989 *Car and Driver*, William Jeannes, a columnist who previously echoed Yates's diatribes against environmental regulations, added his voice to the environmentalist chorus. "If you are concerned about planet Earth and the cars you drive on it," he wrote, "you understand that an efficient automobile is one that . . . con-

tributes as little carbon dioxide as possible to fuel the greenhouse effect." Similarly, Yates defended tougher fuel-economy standards as necessary "to reduce automobile carbon-dioxide emissions, a significant contributor to the greenhouse effect and global warming."

Car and Driver, which out-Herods the *American Rifleman* in trying to keep Big Brother off our backs, has adopted an environmentalist message. How can such a macho magazine extol risk-taking and at the same time speak for the trees?

The pages of the *Farm Journal* and *Car and Driver* reflect an apparent sea change in public opinion. In the early 1970s, less than a 30-per-cent minority of Americans favored tougher environmental regulations. By 1989, however, nine respondents in ten ranked "taking stronger action to clean up the nation's air and water" as a top priority for government leaders. How may we account for this apparent conversion?

If we assume that environmentalism has remained the same movement over the past twenty years, we must conclude that public opinion has undergone a profound transformation. If such a dramatic shift had occurred, however, one would expect to observe signs of it in other areas of political and cultural life. Yet liberals and conservatives continue to square off across the old political divide.

There is, however, another possibility. Public opinion may have moved in the direction of environmentalism as environmentalism moved toward public opinion. The values and concerns of the environmental movement may have changed over the years, making it possible for those committed to the dominant paradigm to embrace them.

Environmentalism Then and Now

In the 1970s, Americans confronted environmental problems that were primarily local in scale, recent in time, and near- or medium-term in their effects. Examples are

obvious: belching smokestacks, persistent pesticides, automobile pollution, ground-water contamination.

Congress approached these problems on a medium-by-medium basis as technical challenges to be solved each in its own terms, by improvements in expert analysis, scientific knowledge, regulatory oversight, and technological controls—hence, the agency- and technology-forcing statutes of the 1970s. The worst and most obvious hazards were often the cheapest to control; when the government went on to control less serious but more intractable problems, it came up against the law of diminishing returns. Arguments then arose over the concerns Darman voiced in his speech as critics asked: Are we a risk-o-phobic society? How safe is safe enough?

In contrast, the environmental problems of the 1990s—global warming and climate change, deforestation, the loss of genetic diversity, the widening ozone hole—tend to be global rather than local in scale; historical rather than recent in origin; and cumulative rather than immediate in effect. In the 1970s, the terms “optimality” and “externality,” taken from microeconomic theory, typified academic debate about the environment, which focused on the allocation of resources. In the 1990s, “sustainability,” a macroeconomic concept, has become the organizing metaphor of both professional and popular analysis, linked to the idea of ecological limits to economic expansion. The problem is thus no longer the allocation of resources in the most risk-beneficial ways; it is the adjustment of the economy as a whole to the carrying capacity of the planet.

While many concerns remain constant—population is one of them—the environmental problems of the 1990s have less to do with the “spillovers” one economic activity imposes on another than with the aggregate effect of all these activities on the biospheric systems that support the economy as a whole. However efficient transactions may be relative to each other, they can combine, often in unanticipated ways, to undermine

global ecological systems. The problem is no longer just that economic development threatens the environment. Rather, the environment, in the form of rising sea levels, dying forests, eroding land, and thinning stratospheric ozone, threatens economic development.

Many analysts today understand environmental problems, therefore, as the products of the scale effects of economic

The Reaganites' assumptions about the marginality of environmentalism underestimated its strength.

activity as a whole and, therefore, in macroeconomic rather than microeconomic terms. Today's approach embraces the usual goals of macroeconomic theory, such as full employment, price stability, prosperity, and the relief of poverty. But it rejects the way we have traditionally tried to reach those goals, by continually increasing the amount of low-entropy resources the economy takes from nature and the amount of high-entropy wastes it puts back. This ever-increasing scale of the economy, known as total “throughput,” places an intolerable strain on the biospheric ecological systems on which the economy depends.

Although environmentalists have attacked big business (exemplified by multinational corporations) since the 1970s, the message has changed to address the problem of optimal scale rather than optimal allocation. Twenty years ago, corporations were accused of indifference to human safety and health; they would “kill to make money.” Corporate executives answered this kind of attack by commissioning risk assessments and risk-benefit analyses, and, when these failed, they held seminars in risk communication. The emphasis of current environmental activism, in contrast, falls not on risks to human safety and health but on the sheer scale of throughput and, thus, the stress the economy as a whole

places on ecosystems. Accordingly, corporations have to respond to promptings to recycle wastes, minimize "greenhouse" emissions, and conserve energy.

Legislation reflects this shift in emphasis. Consider, for example, the Clean Air Act. As originally enacted in 1970, the statute regulated pollutants like carbon monoxide that threatened public health. The law called for "an adequate margin of safety" to assure that pollution would not make anyone sick. The statute did little for the natural environment per se; for example, it contained no provision to control sulfur dioxide (SO₂), the source of acid rain.

The fundamental philosophy of the Clean Air Act changed with the 1990 amendments, epitomized in the concept of "trading under a cap," which the amend-

Americans since Jefferson's time have suspected that monied industrial interests have contempt for nature.

ments require wherever possible. By setting a "cap" or nationwide limit on the total allowable amount of SO₂ emissions, for example, the amendments seek to control acid rain, a direct threat to ecological systems but not to human health. Polluters will be able to exchange permits for SO₂ and other kinds of emissions under broad aggregate limits. Markets for pollution allowances under caps encourage industry to make the most of allowable emissions, thus maximizing productivity while minimizing throughput.

Analysts have suggested the use of caps to discipline virtually all of our relationships with the natural world—caps on carbon dioxide production, road construction, deforestation, and erosion. The idea is not new: The Endangered Species Act can be interpreted as "capping" the extinction of species. That statute, reauthorized

during the Reagan administration, does not stop economic development but limits its effect on biodiversity. The law does not prohibit economically useful projects. Rather, it requires that these projects mitigate their effects on threatened species.

Statutes that require recycling and resource recovery, specify fuel-efficiency standards, and call for renewable fuels and energy conservation exemplify the new macroeconomic thinking. From consultation among scientists, policy makers, public interest groups, industry, and others have come measures to regulate the aggregate levels of throughput compatible with a "sustainable" relationship with the natural environment.

Environmentalism has traveled a long road since the 1970s. In moving from a preoccupation with technological threats to personal safety and health to a larger concern with the sustainability of ways of life, environmentalists kept their old enemy—global markets and "big business"—but picked up a new vocabulary. They tapped into the artery of mainstream populist sentiment. Environmentalism as a result has begun to fashion itself into a form of patriotism—to express a concern with the continuity of community linked to the integrity of place. To the surprise and chagrin of many political analysts and strategists, environmentalism has thus gained a sizeable constituency who speak the language of American populism.

Environmentalism and Populism

To be sure, the safety and health concerns of the 1970s persist, but they are not central to the broad-based environmentalist consensus of recent years. This new consensus is better understood in the context of the cyclical occurrence of populist movements in America.

Political movements that combine distrust of big business with a desire to protect the natural environment have deep roots in America. William Jennings Bryan, who entered Congress in 1890 from Nebraska, narrowly lost the presidential election in

1896, at the head of a coalition of Democrats and populists who opposed the social and environmental consequences of the rapid industrialization of the South and West.

Farmers, small-town businessmen, and workers who backed the Farmer's Alliance and the People's Party in 1896 went on to vote in 1904 for Theodore Roosevelt, a conservationist and a trust-buster. Some of the same support later went to Franklin Roosevelt, who stood strongly for environmental protection as well as for the regulation of industry. Those who support populist candidates and causes share the American Dream but fear that corrupt and centralized economic forces will prevent them from achieving it.

The central ideological commitment of populism in the past, as the historian Lawrence Goodwyn has said, follows from the "deification of nature." The appropriate cultivation of nature—a nostalgia, perhaps, for the rural landscape—remains one of the most powerful tenets of populism.

During the Depression, Woody Guthrie's songs voiced the indignation of Americans at the deterioration of the rural landscape and at its perceived cause, the concentration of wealth in fewer and fewer hands. One can hear the same anger in "Pass It On Down," a song by the group Alabama, which last year went to the top of the country-and-Western charts. The song decries the destruction of the natural heritage that would otherwise give future generations a sense of place and a continuity with the past. Here is one verse:

There's a place where I live called the
canyon,
Where Daddy taught me to swim.
That water is so pure,
And I'm going to make sure
Daddy's grandkids can swim there like
him.

The song expresses an ideology of sacrifice, as opposed to self-interest, that anthropologists such as Mary Douglas and Michael Thompson associate with working-class ethnic communities. Factory

workers who put in long hours to send their children to college also might agree with Alabama: "It's only ours to borrow; Let's save some for tomorrow/ Leave it and pass it on down."

Environmentalism appeals to two attitudes fundamental to the dominant social paradigm. First, a commitment to community, often associated with religion, inclines mainstream Americans to pass down their cultural and natural heritage to their children and grandchildren. Second, Americans since the time of Jefferson have suspected that monied industrial interests have contempt for nature. For example, the Exxon Valdez oil spill in Alaska, even if it caused little economic damage, stirred Americans' emotions because it so clearly symbolized the apparent conflict between nature and plutocracy.

Thus, the terms "stewardship" and "sustainability," although they may have been coined by academics and analysts, express concepts deeply rooted in the popular culture, and Americans of diverse political persuasions are willing to endorse government regulation to protect the integrity of the natural environment and the well-being of future generations. These values are right up there with breaking speed limits and ignoring radar detector bans.

A sampling of opinion from our two magazines shows how these distinctions play out. Readers of the *Farm Journal* and *Car and Driver*, as we have seen, are exposed to a lot of copy about stewardship, sustainability, and our responsibility to leave nature intact for future generations. *Car and Driver* consistently endorses tougher fuel-economy standards (and even higher gasoline taxes) to "decrease petroleum dependence, consumption, and air pollution." In November 1990, Brock Yates conceded: "Our nation gets terrible marks for energy management and conservation. And, like it or not, we car lovers have to shoulder much of the blame."

At the same time, however, the

magazine stepped up its attacks on "clowns who bleat that speed kills," including "safety-twit" Clarence Ditlow, "practicing autophobe and executive director of Ralph Nader's Center for Auto Safety." A regular *Car and Driver* columnist reminds readers that heavy cars fuel the greenhouse effect. A good way to lighten cars, he advises, would be to get rid of some of the mandated safety equipment.

Similarly, the *Farm Journal* carries many articles that endorse organic farming, but the authors do not argue that low-input methods will yield a safer product. Rather, the journal advocates low-input farming for ecological reasons and because it permits farmers to keep money that would otherwise go to the chemical industry.

A recent guest editorial advocating stewardship is long on machismo. "Before I say anything else," Gene Logson, a burly Ohio farmer, writes, "understand that I eat red meat; red, white, and medium rare. I know which side my bread is buttered on, because I spread it a quarter-inch thick." Logson establishes his credentials as a two-fisted cattleman with no patience for "diet dillies, organic nuts, and Bambi lovers" and others overly concerned about risk.

"Having said that," he continues "allow me to say a good word for animal rightists." The good word is that animal rights advocates threaten animal mega-factories, not the independent family farmer who can care properly for livestock.

Logson's logic echoes a familiar populist theme: the resentment small and middle-sized farmers direct against larger, better-capitalized operations that use economies of scale to undersell them. To protect the land, to maintain traditional technologies, and to engage in low-input labor-intensive husbandry make sense economically if you want to keep in business as a family farmer. Without the environmental brake, the "technological treadmill" in agriculture would lead quickly to the industrialization of production and to the demise of the small operator. Farmers have good reasons, therefore, to side with environmentalists

against this process. The reason, however, is not health — unless it is the health of farm communities.

Americans who make up much of the electorate today, like those who joined the Farmer's Alliance and People's Party a century ago, may seek to preserve the social and moral order they cherish against large-scale technologies which intrude, through their economic and environmental effects, on the integrity and viability of local communities. People identify with places; they find in them continuity with the future and consistency with the past. They may be attracted to the sustainability and stewardship argument today, then, for the reasons that led them a century ago to resent the extravagances of the gilded age. This is not asceticism; it is more like self-respect.

If this is true, then environmentalism, far from rejecting traditional American values and attitudes, is consistent with them. Environmentalism thus serves as a common rallying ground for groups usually thought to be at odds with one another: educated professionals and the lower middle class; affluent suburbanites and inhabitants of small towns in the American heartland.

At the outset of the 1980s, after such well-publicized incidents as the discovery of toxic wastes at Love Canal and the dumping of kepone in the James River, environmental law began to reflect the force of environmentalism as a populist movement. Expert reports that found, for example, no unusual incidence of cancer at Love Canal or argued that kepone, being insoluble and biodegradable, would not damage the river only fanned the flames of populist resentment. These reports, however accurate, did not allay the suspicion that powerful corporations dump wastes indiscriminately and do not really care about nature or people.

Public resentment of a populist sort, perhaps exacerbated by the policies of the Reagan administration, forced Congress to recast environmental law from the prospective "command and control" approach of

the 1970s to laws based in retroactive liability that include harsh criminal penalties. Laws enacted after 1980, such as the Hazardous and Solid Waste Amendments of 1984 and the Superfund Amendments and Reauthorization Act of 1986, made corporations liable for virtually any environmental damage that might be associated with them and established severe penalties for industrial practices, as yet unknown and unspecified, that might someday be found to be environmentally hazardous.

During the 1970s, when environmental laws mandated what sorts of pollution-control technology industry had to install, economists criticized this "command and control" approach as inefficient, since industry itself knew best how to control its effluents. Congress subsequently responded to this criticism with a vengeance by enacting a series of laws that assigned strict liability retroactively to any corporation that might be involved in polluting.

This response regards pollution as a crime rather than as a cost. It sets up draconian joint-and-several liability regimes, therefore, to require polluters to pay for gold-plated clean-ups whether the pollution is "really" dangerous or not. This is a religiously and ethically based approach because it distinguishes between law-abiding people and criminals; it does not balance benefits and costs. It expresses the style of thinking of rural populists rather than urban professionals.

The statutes drafted in the 1980s contain tough (indeed vengeful) criminal penalties and make polluters jointly and severally liable for the entire cost of clean-up regardless of degrees of fault. Industry has responded to these perhaps vindictive laws by invoking the old questions about how

safe is safe enough. Trade associations throw away money studying risk assessment, risk management, risk perception, and risk communication, as if nothing had changed since 1970. They would do better to think less about risk and more about the moral, cultural, and religious values that

Our respect for nature is a respect for the land that transformed us from immigrants to Americans; it is, therefore, also a respect for ourselves.

have led Americans to resent the effects of technology on their environment and on their lives.

As we head into the 1990s, we must make broad environmental compromises, while maintaining communities and sustaining moral and social ties in the face of an increasingly intrusive economy. Environmental protection is thus caught up in the popular imagination with shared memories of an agrarian heritage and an edenic, if partially mythic, past.

Our respect for nature is a respect for the land that transformed us from immigrants to Americans; it is, therefore, also a respect for ourselves. A sense of continuity with the past seems essential to a faith in the future. In these fundamental respects, the environmental movement and American populist ideology have moved toward each other. Mainstream American attitudes have changed the environmental movement and the environmental movement has been integrated into the American Romance. ♦

Democratizing the Data Banks

Getting Government Online

James Packard Love

The advent of online access to large-scale information systems from personal computers and telephones has radically altered many everyday activities, from using a credit card to making an airline reservation. The same technology may now change the relation of citizens to the state, if advocates of an electronic gateway to government data banks succeed in establishing a new principle of democratic access, not simply to government information, but to government information systems.

The federal government is the single most important sponsor of research and producer of data in American society. Its statistical databases, reports, and technical studies, as well as the multifarious documents from its several branches and independent agencies, are crucial to interest groups and businesses of all kinds. Corporate strategy-making, scientific research, community planning, and perhaps most important of all, public

debate depend on a reliable and abundant flow of data gathered by the government.

Traditionally, the government has made this information available through printed publications, a method that is inevitably slow and typically leaves the underlying raw data inaccessible. In recent decades, federal agencies such as the Census Bureau have also provided computer tapes to private information companies that customize and retail the data for a variety of purposes. And, within the past decade, the government has developed computerized information systems for government agencies such as the Securities and Exchange Commission. Some of these have been developed and operated by private firms.

The information in government databases owes its very existence, of course, to taxpayer support. In principle, the databases belong to the public. But, in practice,

much governmental data released to the public is accessible only through private vendors that charge hefty fees.

Advocacy groups for the information-indigent, which includes just about anyone without a big expense account, have long urged government to make its databases accessible online at low cost. After years of strenuous opposition from private information firms, that finally may happen.

The Electronic WINDO

Under a bill introduced by Representative Charlie Rose of North Carolina, the Government Printing Office would make "appropriate" online services available to anybody who wished to open an account. The mechanism would be a new service, the Wide Information Network for Data Online, known as the WINDO. Under the legislation, the GPO would also devel-

op user-friendly menus, indexes, and other methods to make government information systems convenient and simple to use.

To broaden public access, the on-line service would be free to 1,400 federal depository libraries. Since such libraries are open to any citizen, their terminals would enable Americans to tap into the government's data banks at no cost. In addition, the service would be available to individuals, institutions, and businesses, by subscription, priced at the "incremental cost of dissemination."

The legislation does not spell out just what databases the program would include. Rather, it would require the government to solicit public comment annually on that and other issues like pricing and format, and then set policy accordingly. Ideally, the WINDO would start with a core of important online services and expand to accommodate the interests of users as the system matured. Over the long run, the government would strive to provide online access to as much federal information as possible, limited only by technological and economic feasibility.

While it may take ten to twenty years to realize the WINDO's full potential, many Americans would see its effects almost immediately. The first project in the WINDO program would most likely be the creation of an electronic bulletin board service, which would provide wide, affordable access to a variety of agency notices, decisions, and statistics. These items are indispensable to many businesses, research institutions, and individuals, yet often are available today only through costly commercial services.

For instance, the Food and Drug Administration produces an impressive array of electronic information, which includes everything from lists of approved drugs and devices to current information on AIDS. Access to this information is now available only through a bulletin board run by DIALCOM, a former IIT subsidiary owned by British Telecom. The charge is \$25

to \$15 per hour for connect time, plus \$.20 per kilobyte of data and a \$50 monthly minimum billing.

Similarly, the State Department publishes its news releases, congressional testimony, daily schedules, and press briefings on a commercial electronic bulletin board run by the Martin Marietta Corporation, which charges \$1 per page of data, and requires \$75 per month in minimum billing.

The possibilities for expanded and cheaper access are evident from the Department of Commerce's experience with on-line information. For several years, the Commerce Department has operated an Economic Bulletin Board, which offers access to more than 1,000 files posted by fifteen different federal agencies. The information includes everything from trade opportunities in Kuwait to the latest figures for the national debt. The fees, as low as \$3 per hour for connect time, with no data charges or monthly minimum, are trivial in comparison to prevailing commercial rates. With the WINDO, such easy access would become the rule, not the exception.

The WINDO would eliminate the need for users to maintain dozens of different accounts with individual government agencies and private companies. As it became more familiar, the public would likely expand its use of the service. And with the WINDO the federal government could publish congressional hearings and other documents for the public through electronic formats, at a fraction of the cost for conventional printing and binding.

What the WINDO Would Open

For scholarly researchers as well as businesses and local governments, one of the most important services available through the WINDO would be on-line search and retrieval of research abstracts. The government already spends millions to create computer databases of abstracts of research on medicine, education, housing, and hundreds of other topics, from both publicly and privately funded studies. The government collects and stores these data

in standardized record formats, but often only disseminates the information on magnetic tapes, so that for most citizens the information is accessible only through commercial vendors at high prices. This information includes databases that report published research, such as MEDLINE, AGRICOLA, and DOE Energy, as well as databases that summarize the results from thousands of unpublished government-funded research projects, such as the National Technology and Information Service Research Abstracts. The WINDO would simply allow the public to take advantage of these resources.

Another technologically straightforward project for the WINDO would be to open access to online systems set up for use by government employees. These include the Securities and Exchange Commission's new EDGAR database system for corporate disclosure filings; the Patent and Trademark Office's Automated Patent System of U.S. and foreign patents; the electronic reference collections of the Library of Congress that are available through its SCORPIO system; the Department of Justice's JURIS database of federal court decisions, statutes, regulations, foreign treaties, presidential executive orders, and legislative histories; and the House of Representatives' LEGIS system for tracking legislation.

As technologies improve, more projects will be possible. New telecommunications systems will transmit several megabytes of data per second, expanding the kinds of information obtainable online. New software standards will make it possible to send text and images across different hardware and software platforms, greatly enhancing the potential for electronic publishing. One can easily imagine, for example, ordering the *Statistical Abstract of the United States* online, to be delivered in seconds.

A Political Opening?

Calls for more convenient, affordable access to government information are hardly new. In fact, the effort to have the government provide at low cost what the informa-

tion industry sells at high fees is an old fight. It is a measure of the political clout of commercial vendors that there has never been a formal proposal to provide centralized online access to federal information until now.

But the climate may be changing. When groups such as the American Library Association and Ralph Nader's Center for Study of Responsive Law proposed the WINDO in the fall of 1990, many experienced observers dismissed it as too ambitious to be taken seriously. (Full disclosure: I work for Nader's center and was involved in developing the proposal.) However, the prospect of more affordable information appeals to many groups, including businesses. After paying for this information once through our taxes, paying for it again is not appealing.

An impressive sign of the changing political climate is a recent report from the Government Printing Office proposing, for the first time, that it take on a large role in online publishing. Thanks to the WINDO, the GPO was able to present its alternative as more conservative, since it calls for a more modest scope of services and no free access at federal depository libraries. Even with these limitations, the report signals the administration's acceptance of the basic goals of the WINDO.

Many Americans express frustration over their contacts with government agencies, which seem slow and unresponsive by comparison with many private firms. Making governmental services electronically accessible is a step toward making the public sector itself more user-friendly. Ironically, the private information industry has developed a stake in perpetuating technological incompetence and obsolescence in government. Only by overcoming that private barrier can we get public agencies fully into the computer era.

Nobody underestimates the political opposition from commercial information vendors. But with the active support of groups that benefit from expanded access to government data, the advocates of the WINDO may be able to prevail. ♦

Why the States Can't Solve the Health Care Crisis

Deborah A. Stone

One of the enduring metaphors of American federalism is that states serve as laboratories for the federal government. States are the basement tinkerers that generate ideas to solve big national problems. They are the crucibles for testing the safety and efficacy of new ideas before the whole country adopts them. State leaders, the argument goes, are closer to the people, more sensitive to local conditions, and more attuned to real social problems than are national officials.

With medical costs zooming, over 60 million people uninsured at some time over a two-year period, and the federal government slow to act, many people—state officials foremost among them—are looking to the states to lead us out of the mess. Indeed, some states have tried to seize the initiative, and many are debating new measures. Hawaii and Massachusetts, which both have enacted mandates on employers to provide



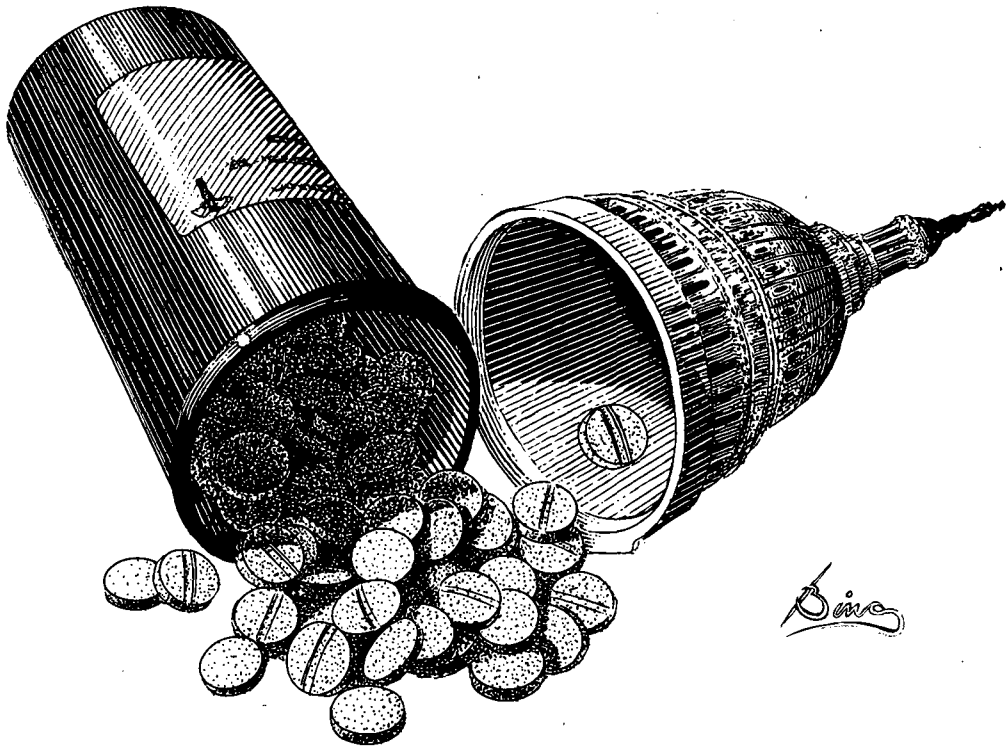
insurance, and Oregon, with its widely publicized but not yet implemented rationing plan, are closely watched as testing grounds for the nation.

The states cannot do it alone, however, because of fundamental impediments in the federal system. When it comes to health care financing, the states lack sufficient autonomy from the federal government, on the one side, and sufficient power over private insurers, doctors and hospitals, and businesses, on the other. Federal laws governing Medicare, Medicaid, and employee benefit plans limit the options available to the states and handicap them in dealing with health care

providers and employers. Achieving both universal access and cost control—the crux of the challenge in health policy—is simply too big a problem to be handled at the state level, given current impediments to innovation. Despite valiant efforts, most state and federal policy makers now realize that major federal reform is a *sine qua non*, even for state-based solutions.

Fingers in the Dike

State initiatives to deal with the uninsured are “slowly but surely filling the gaps,” according to a 1990 report from the Intergovernmental Health Policy Project at George Washington University. Maine put together a package with a private health maintenance organization (HMO) that now provides insurance for about 15 percent of small businesses that previously had not offered it. Connecticut recently created



a plan enabling small firms to purchase lower-cost health insurance; the price reductions come mainly from lower provider fees. Twenty-four states have created high-risk pools, which insure anywhere from 2,000 to 10,000 people who have been rejected by private insurers as too sick to insure. However, while these and other state reforms provide health insurance for several thousand formerly uninsured people, they do not touch the structural features of health insurance that create—and will continue to create—gaps in the first place.

At the heart of the problem is a medical insurance market that gives everyone incentives to withdraw from sharing risks. The nonprofit Blue Cross-Blue Shield plans used to treat all employee groups in a region as if they were one giant group; in effect, they aggregated and spread the cost of high-risk subscribers. In recent decades, however, insurers have increasingly sought to escape from high risks by dividing up the market. They might have competed by offering better benefit packages, claims ser-

vice, or cost-control features. Instead, they have competed primarily by judiciously selecting their "raw materials," which in the insurance business means seeking out healthy policy-holders and avoiding sick ones.

Seeking the lowest-cost insurance plans, many employers have withdrawn from Blue Cross-Blue Shield. Instead of pooling the risks of their employees with those of other, often less healthy groups, these firms "self-insure" (that is, they assume the risks themselves and use insurance companies just to process claims), or they purchase commercial policies at prices specifically reflecting their employees' risks. Commercial insurers target young, healthy groups in their marketing efforts and, to protect themselves further, often screen potential subscribers and impose limitations in coverage, such as exclusions of preexisting conditions. Increasingly, businesses are subdividing their employees into groups with more homogeneous risks, thus reducing risk-sharing even within the firm. Premiums for employee categories within

the same firm can now vary by \$2,000 or more. Firms are also shifting more of their work to part-time employees and contractors, for whom they are not obligated to provide any health insurance, and they are cutting back insurance for employees' dependents. As a result of all these measures, growing numbers of people are forced to pay very high prices for health insurance and are often unable to obtain any at all.

In one of the most widely touted initiatives to deal with this problem, twenty-six states have created high-risk pools especially for people denied private insurance for medical reasons. Since high-risk pools group together people who have or are likely to have costly diseases, the premiums and uncovered out-of-pocket costs are necessarily high. Without big subsidies, the pools simply cannot provide affordable insurance for the average person. Moreover, because the pools are expensive to operate, most states limit admissions and have long waiting lists.

The insurance pools do not avoid costs to the public. Some states subsidize the high-risk pools from state revenues; others assess insurance companies based on their pro-rata share of business in the state; and some states use a combination of these two methods. Most states allow insurance companies to credit their high-risk pool assessments against their state taxes. Since state tax revenues are thereby reduced, the net effect is the same as subsidizing the pools from state general revenues.

High-risk pools are, quite unintentionally, another force behind the collapse of risk pooling. Although subsidies from state general revenues do broaden risk-pooling (by requiring all citizens in a state to contribute to the costs of medical care for the very sick), other features of high-risk pools effectively narrow risk-pooling. First, these pools by definition admit only people who are likely to have very high medical expenditures; under this arrangement, sick people share their high costs with other sick people. Second, under the federal Em-

ployee Retirement Income and Security Act of 1974 (ERISA), employers who self-insure are exempt from state insurance regulation; the states, therefore, cannot require them to contribute to high-risk pools. Nor do these firms pay any premium taxes to state coffers, another exemption courtesy of ERISA. Hence, employers and their employees do not share in the medical care costs of the high-risk pool, except insofar as they contribute in other ways to state general revenues.

Third, by limiting entry into the pools to a fixed number of places, states are limiting the number of people who are allowed to pool their risks with the general public via the state subsidies and tax forgiveness. Last, and most important, the very existence of these pools as a lifeboat for people who have been rejected by private insurers reduces political pressure on private insurers to relax their criteria for providing coverage. By creating high-risk pools, states actually make it easier for insurance companies to continue their cream-skimming.

Reforming the Small-Group Market

Many state efforts to deal with the access problem go under the heading of "small-business market reform," a strategy with support from just about everybody—even the commercial insurance industry—because it appears to solve the problem without costing a penny. "It's the easiest target Congress has," Senator Jay Rockefeller told the *National Journal*. "It's a wonderful, glorious, multicolored, brilliant, magnificent sitting duck, and it's all free."

One approach is to exempt insurers from state legislative mandates to include certain benefits, such as mental health care, treatment for substance abuse, or maternity coverage, when they sell policies to small businesses. Conservative free-market advocates have long argued that the private insurance market could provide coverage to more people if insurance companies were not hamstrung by legislative requirements to include an enormous array of non-essential benefits. Some twenty-three states

have passed permissive legislation of this sort, and another seventeen are considering bills. Of course, the bare-bones policies fail to provide coverage for services the state has otherwise deemed essential. Of fifteen states surveyed by the Intergovernmental Health Policy Project in 1991, only six would require prenatal care in a basic benefit package and only seven maternity care; only two would require coverage of Pap tests and only five mammograms; only four would require coverage of newborn children, only three adopted children, and only one children's preventive health services.

Advocates of the bare-bones approach have sold it politically by emphasizing that the savings for small employers come from eliminating frills such as *in vitro* fertilization, herbal therapy, and expensive cures at substance abuse rehabilitation centers. In fact, the bare-bones policies eliminate a great deal of primary and preventive care. Virtually all the stripped-down plans reduce the number of physician office visits and hospital days that insurance policies must cover, and they increase the deductibles and copayments borne by policyholders. State health insurance officials estimate that two-thirds of the savings in these plans come from higher out-of-pocket costs for the insured.

In the six states where marketing of these plans is already underway, employers are distinctly unenthusiastic. Blue Cross-Blue Shield introduced a stripped-down plan in Virginia in July of 1990, and by the end of 1991, only twenty-five firms with a total of 100 employees had bought it. In Washington State, 2,300 employees are covered under bare-bones plans, but half of these are in firms that were downgrading their plans rather than buying coverage for the first time. All in all, stripped-down benefits policies are unlikely to put a scratch in the uninsured problem.

Yet another strategy is to subsidize the purchase of health insurance. Some states, such as Maine, provide subsidies to small businesses that purchase health insurance, usually restricting the subsidies to first-

time buyers. Others, such as Washington, contract with a provider to offer subsidized insurance to the working poor. Still others market subsidized policies to special groups, such as pregnant women and children. Boosters of state-based solutions to the health insurance crisis often point to programs like these as successful demonstrations of what states can do.

Obviously, though, state fiscal realities limit the potential subsidies. With twenty-eight states now running in the red and governors everywhere cutting back ser-

The big problems of health care transcend state boundaries and require more political power than state governments have.

vices and laying off workers, subsidies for health insurance can hardly be expected to grow. (In fact, Michigan cancelled its demonstration program in 1991 because of the state fiscal crisis, and Massachusetts' program is in a stall.) Like the other state solutions, subsidies do not alter the market so as to make insurance affordable in the long run.

Some states have established re-insurance mechanisms whereby the state or a private insurer picks up the costs of expensive medical care for individuals or for employees of small-group plans. Connecticut assesses all sellers of small-group policies to finance the re-insurance, but many other states use state subsidies in addition. Re-insurance does ultimately spread the risk of catastrophic illness in small groups, but via an administratively complex (and thereby expensive) route. Re-insurance simply fragments the market, rather than aggregating expensive risks with cheaper ones.

Some state and local pilot projects take on and pay for the administration and marketing of small-group insurance in

order to enable private insurers to charge small groups the same low premiums as large employee groups. This practice, too, merely subsidizes the profits of private insurers, without changing their incentives to segment the market into smaller groups.

None of these reforms addresses the real problem of the small group market: smallness. Insurance works by aggregating risks into large pools and spreading the costs widely. Each of the so-called small-group reforms in fact enables insurers to keep the market disaggregated, and to make profits on the administration of an inherently inefficient structure.

Most of the other state innovations to deal with the access problem follow similar lines. Typical strategies, each used by several states, include creating special state pools for some uninsured workers (but not non-workers), poor pregnant women, the disabled, or children; establishing trust funds or special accounts to cover hospitals' costs of uncompensated care; and providing tax credits or subsidies to small firms who offer health insurance. Because each of these strategies addresses only part of a large systemic problem, each stopgap measure lets the overall system continue to operate—and to continue excluding those with high risks from full protection.

The cure for lack of insurance has to be risk-pooling. Unless we create mechanisms to re-aggregate people into large groups to share the costs of health care, we will continue to siphon money into unnecessary and wasteful insurance contraptions.

Barriers to State Solutions

The big problems of health care transcend state boundaries and require more political power than state governments have. The federal Medicare program is the payer for about 40 percent of hospital costs. States and community coalitions can try to do something about controlling hospital costs, but the lion's share of the costs is controlled by a lion outside their jurisdiction. Indeed, the federal government's chief cost-containment strategy for

Medicare has been to use price controls and other methods to curtail its own costs, and to withdraw from sharing the costs of uncompensated care with other payers.

Medicaid accounted for nearly 14 percent of state budgets in 1990, the second biggest line item after elementary and secondary education. Although it is nominally a federal matching program for expenditures the states decide to make, in practice the states have less and less autonomy to decide what they will spend on Medicaid, let alone how they will manage the program. Federal mandates have increased the types and income-level of people states must cover, first through the federal Supplemental Security Income (SSI) program, then through mandates built into budget acts of the 1980s. What started out in 1965 as a physician and hospital insurance program for the poor has become, through the SSI program, primarily a funder of long-term care and other services for the elderly, disabled, and blind. These three groups account for about 30 percent of the Medicaid population but 75 percent of Medicaid expenditures. Poor adults and children on Aid to Families with Dependent Children (AFDC) comprise about 70 percent of the Medicaid population but account for only 25 percent of the expenditures.

As Medicaid expenditures have grown, states have covered a declining proportion of the poor. The ratio of Medicaid enrollees to the poverty population dropped from 65 in 1976 to only 42 percent in 1989. As a result, states and their county and local public hospitals are forced to pick up the tab for uncompensated care. Meanwhile, the federal government no longer shares in those costs through Medicare.

No wonder, then, that state officials feel powerless to control their programs and their budgets. An official in Tennessee complained of "state programs being turned into federal programs," and many speak of the "federalization" of Medicaid. The executive director of the National Governor's Association, commenting on its most recent

survey of state budgets, says that Medicaid requirements imposed by the federal government are "devouring virtually every new dollar of revenue and leaving little money for new programs." The survey found that state Medicaid budgets are expected to rise by 116 percent in only five years.

Mandates without Power

Federal rules simultaneously require states to expand their coverage of people and services and constrain their ability to control costs. States could try to squeeze hospital and physician reimbursements. But a 1981 federal rule, known as the Boren amendment after Senator David Boren of Oklahoma, guarantees hospitals and nursing homes "reasonable and adequate rates," and a 1990 amendment requires that nursing home rates take into account the cost of services necessary to provide the "highest practicable" well-being. Also in 1990, the U.S. Supreme Court interpreted the law to allow facilities to sue states for adequate reimbursement. Such suits are on the increase, and the mere threat has made states more cautious about holding down reimbursement. States are left to find budget cuts elsewhere—in physician services, outpatient care, immunization programs and other health services not protected under the Boren amendment, and in AFDC and General Assistance programs.

For many state officials, federal restrictions on their capacity to control reimbursement are not nearly as annoying as the federal propensity to issue mandates and then fail to provide regulations for carrying them out. A section of the 1987 Omnibus Budget Reconciliation Act, for example, requires states to monitor nursing home performance by assessing residents, staff, and facilities. But even though states were required to implement the program by October 1990, the Bush Administration did not issue final regulations by then, and, even now, there are no final or even proposed regulations for some of the provisions. States must operate in the dark.

When states want to experiment with innovative ways of managing their health expenditures, they need to get a waiver from normal federal program rules. Precisely because Medicaid is a joint federal-state program, designed originally to induce states to make greater fiscal efforts on behalf of health care for the poor, it has certain national standards for state programs. These include not only eligibility conditions and minimum service packages, but other design requirements, such as offering recipients a free choice of medical provider, making all program rules applicable across the state, and using particular forms of provider reimbursement.

While often laudable and highly effective, national standards also seriously constrain the ability of states to experiment. If a state wants to conduct any kind of an experiment on a community or county level, for example, it needs a waiver from the "statewideness" requirement. If it wants to experiment with more centralized budgeting and planning by combining all revenue sources for health care, it needs waivers to include Medicare and Medicaid in its plans. Moreover, the federal government requires that all state experiments be budget neutral for the first year to qualify for a waiver.

The federal waiver process has, by all accounts, been at best a discouragement and at worst an obstacle to state innovation. Even though the 1981 Omnibus Budget Reconciliation Act encouraged states to experiment with different cost-containment strategies and authorized waivers to permit states to limit recipients' choice of providers, subsequent congressional acts and amendments gave conflicting signals to the states. The 1985 Consolidated Omnibus Budget Reconciliation Act permitted states to provide case-management as an optional service, without seeking federal waivers, and gave an extraordinarily broad definition of case-management. But when the National Governors Association surveyed state officials in 1986 about their plans to implement case-management ex-

periments, many indicated they were "waiting for guidelines and regulations" and that they were uncertain how the federal government might interpret statutory language and administer its review of state plans.

Perhaps the most vivid example of how the federal waiver process puts the brakes on state innovation is the current Oregon plan to deny Medicaid coverage for certain medical procedures deemed not cost-effective. Under the plan, Oregon would be the first state to manage the cost/access dilemma by explicitly refusing to fund some expensive procedures and using the savings to insure more people for primary care. Oregon leaders conceived of the plan as incremental. Initially, the service exclusions would apply only to poor adults and children in Medicaid, but not to the elderly, disabled, and blind recipients of Medicaid (nor to state employees or anyone else in the state).

Since the Oregon plan calls for eliminating some services from the federally specified basic Medicaid benefit package, the state must have a waiver to implement it. After the Health Care Financing Agency (HCFA) indicated its reluctance to use its administrative authority to grant a waiver for such a major change, the state turned to Congress for a legislative waiver. Oregon hired ICF/Lewin, a national consulting firm, to write its waiver application, and turned to Senator Bob Packwood for help in Congress. The Senate Finance Committee voted in favor of a waiver, and the debate moved to the full Senate for consideration as part of the 1989 budget bill.

Once the waiver request entered the congressional arena, it became highly visible. Sara Rosenbaum, then Director of the Health Division for the Children's Defense Fund, saw inequities for poor women and children and teamed up with Representative Henry Waxman of California to oppose the waiver. National organizations such as the American Academy of Pediatrics, the National Association of Com-

munity Health Centers, and the Association of Catholic Hospitals lined up with opponents of the Oregon plan. The Oregon waiver was dropped like a hotcake from the 1989 budget bill and continues to be embroiled in national politics.

There is much to criticize in the Oregon plan [see Bruce Vladeck, "Unhealthy Rations," *TAP*, Summer 1991], but holding aside its merits, one dramatic lesson is surely that states are not their own masters in the making of health policy. Medicaid is the biggest state program addressing the health problems of the poor, yet federal regulations ensure that states cannot innovate without national political support.

States are so hungry for solutions to the problems of health care for the poor that they sometimes pick up an innovation before it has gotten off the drawing boards in its home state. For example, the Colorado, Ohio, and Michigan legislatures have debated proposals patterned on Oregon's. "We recognize that Oregon hasn't finished the process," an aide to a Michigan state legislator told Linda Demkovich of the Intergovernmental Health Policy Project, "but it's important that we start dealing with those same issues."

The Big Sleeper: ERISA

Although never conceived as a piece of health legislation, the Employee Retirement Income Security Act of 1974 indirectly had a major impact on the American health insurance system, perhaps more than any other legislation since Medicare and Medicaid. By exempting firms that self-insure from state insurance regulation, as well as from state premium taxes, ERISA gave employers a strong incentive to exit from the commercial and Blue Cross-Blue Shield insurance markets. In 1974, self-insured plans covered only 5 percent of people with employee health insurance; now they cover over 50 percent.

The very same ERISA exemption that promoted the break-up of large risk pools in health insurance also prevents state governments from rectifying the disin-

tegration. Because they cannot regulate self-insured businesses, they cannot reach the major insurers. This exemption has drastically curtailed the possibilities for state reforms.

Hawaii offers the crucial lesson here. In 1974, slightly before ERISA was passed, Hawaii passed its Prepaid Health Care Act requiring employers to provide coverage at least as good as a state-defined benefit package, and to pay at least half the cost of coverage for its employees. When the state tried two years later to increase the benefit package by adding treatment for substance abuse, Standard Oil Company of California sued, claiming ERISA preempted the states from regulating self-insured companies. The U.S. Supreme Court agreed with Standard Oil in 1981. Hawaii managed to negotiate a special congressional exemption from ERISA permitting it to keep its original plan and benefit package in place, but it can make no further changes in requirements on self-insured companies. At the time, Congress made clear, too, that its one-time exception to Hawaii would be unavailable to other states.

The Supreme Court interpretation of ERISA, combined with congressional unwillingness to extend the Hawaii precedent, means that states have almost no leverage over employers. A few states are trying to craft legislation to require employers to provide health insurance without violating ERISA, by offering employers the option of "playing" or "paying." (Employers may either buy health insurance that meets state criteria, or pay into a state pool to cover people without health insurance.) So far, only Massachusetts and Oregon have play-or-pay laws on the books, and both have delayed carrying them out until at least 1995. No play-or-pay law has yet undergone the judicial scrutiny sure to come from a business challenge.

As more states have run up against ERISA in their attempts to extend health

insurance, Congress has begun to face up to the problems it unwittingly created with ERISA. The HealthAmerica proposal introduced by the Senate Majority Leader George Mitchell, though primarily relying on a play-or-pay approach to expand insurance coverage, includes an option for states to experiment with a single payer system, and even offers some federal planning money and technical assistance. The bill would override ERISA. (President Bush's "Comprehensive Health Reform Program," by contrast, would actually extend the ERISA exemptions to small businesses that buy commercial insurance, thus further undercutting states' ability to regulate insurance.)

Big Problems Need Big Innovators

Even if the federal government were not an obstacle, there are still reasons why states might not be able to craft and implement successful solutions to the challenges of health policy.

Probably the most widely used metaphor in health policy is the balloon. Squeeze health care costs in one part of the system and they whoosh to another. If one payer musters the power to constrain its hospital costs (say, by firmly fixing its hospital rates, as Medicare did, or by getting a state to cap its hospital rates as Blue Cross-Blue Shield did in New Jersey), hospitals shift their costs by charging more to other payers and self-paying patients. If a state manages to establish an effective means of hospital cost controls, physicians move more of their work out of the hospital to offices, walk-in clinics, and outpatient surgery centers. If states try to increase employers' share of health care costs and citizens' access to services by requiring all insurance policies to include certain benefits, employers switch to self-insurance, where, because of ERISA, they are not subject to state regulations. The lesson of the balloon metaphor is that it is impossible to regulate the health system effectively if you can only regulate a part of it.

In health policy, the fates of the key inter-

ests—hospitals and physicians, commercial and non-profit insurers, business and state government—are inextricably intertwined, and each player is exquisitely sensitive to proposed policy changes. Because the stakes for each group are so high, even a temporary loss seems unthinkable. From the point of view of state governments, permitting temporary losses might mean destruction of institutions—hospitals that go out of business, physicians who flee the cities, insurers who stop writing business in the state, or employers who move their operations and their jobs out of state. In this type of political contest, one player in the system can block a proposal and effectively bring the situation to a stalemate.

States are hamstrung in part by being “only” states. In a federal system, political actors who are unhappy with a state regulation always have the possibility of exit, and the threat of exit is developed to a fine art. If a state tries to regulate insurers (and states are the only jurisdiction with authority to regulate insurers), insurers can and do threaten to withdraw from the state. Insurers used this tactic when a few states and Washington, D.C., tried to prohibit health and life insurers from using AIDS antibody tests, and succeeded in rolling back every state prohibition except California’s ban on

simply do not have the clout to push business and insurers around.

Threats of exit can be so potent that state policy makers are discouraged from even attempting reforms. Even states with healthy economies that have the fiscal potential and political will to increase their taxes feel impotent to proceed. The director of Maine’s state planning office noted that even though states have the formal power to raise property and sales taxes, they are “constrained in how aggressive [they] can be. We can’t go to a 6 percent sales tax when New Hampshire doesn’t have one.”

The corollary of the exit threat in a federal system is the “magnet fear.” States fear that by offering more generous benefits to the poor than neighboring states, they will actually induce more poor people to move into the state. Indiana and neighboring Illinois seem to be a case in point. Officials in both states agree that some people have moved to Indiana because its high-risk pool is easier to join than that of Illinois. Indiana has no waiting list, no ceiling on enrollments, and only a ninety-day residency requirement. Observers of Hawaii’s unique program invariably note that because the state is in the middle of the Pacific Ocean, legislators did not need to worry about attracting uninsured poor people from the continent.

The striking thing about all the “universal access” reforms is that they are conglomerations of different insurance plans, with multiple insurers, eligibility rules, benefit packages, and arrangements with providers. It is common wisdom now among health policy analysts that such aggregations generate huge administrative costs to pay for all the personnel and paperwork necessary to keep everybody and everything sorted into its proper compartment. Steffi Woolhandler and David Himmelstein estimate that as of 1987 \$96 billion to \$120 billion, or 19 to 24 percent of annual health expenditures, went to administrative expenses, including insurance overhead, hospital and nursing home ad-

The states need federal legislation to empower them. Without jurisdiction over self-insured employers or clout over insurance selection practices, the states can only tinker.

using AIDS tests in health insurance underwriting. When Massachusetts was trying to legislate its play-or-pay law in the late 1980s, the threat of exit by both business and insurers was an omnipresent, if usually unspoken, factor in the bargaining. States

ministration costs, and physician billing costs. These estimates do not include the costs of burdensome paperwork that patients, especially Medicare recipients, must perform.

Large public insurance programs are notably more efficient than the fragmented U.S. industry. While overhead for the U.S. private industry has been estimated at 11.9 percent of premiums, the Social Security Administration spends about 2 percent of its revenues on overhead, and the national insurance system in Canada only 1.2 percent. Other nations with unified insurance programs (Canada, Britain, Sweden, Japan, France, and even Germany with its 1,100 sickness funds) manage to provide greater access to health services for far less money.

Who Champions the States?

Our health policy system is federally dominated, notwithstanding the reigning ideology that celebrates state and local innovation. All the vibrant hustle-and-bustle of health insurance reform at the state level is testimony to the optimism and dedication of state officials, not to mention dire necessity. But no one should be lulled into thinking states can control all the pockets of the health care cost balloon or reconstitute the splintered insurance market into a viable, large risk pool.

States cannot hope to curtail harmful insurance underwriting practices unless they band together—or unless the federal government does it for them. As long as they continue to fund high-risk pools, subsidies to small businesses or uninsured individuals, and special insurance plans for special constituencies, they only contribute to the fragmentation of risk pools, thereby enabling insurers to continue using risk-selection as their prime cost-saving strategy, and fostering the expansion of administrative costs.

Even the President's plan, otherwise an ode to free markets, recognizes the inability of states to halt the erosion of risk pooling. The plan proposes a *federal* prohibition on some of the worst industry risk selection

practices: cancelling policies once the holders become sick; refusing to insure sick members of small employee groups; and excluding coverage for preexisting conditions. The plan would also put some limits on insurers' ability to differentiate prices according to people's health status, although it is vague on how the limits would work. Still, the transfer of even that much jurisdiction over insurance to the federal government is remarkable for an administration committed to reducing federal regulation.

If the Bush plan recognizes the need for greater state clout over insurance industry practices, it is not inclined to enhance state power vis-a-vis business. As already noted, it would extend the ERISA exemptions to small businesses, removing more of the insurance market from the reach of state regulation. Of course, conservatives think state-mandated benefits are the major cause of lack of coverage, so releasing business from their grip should be a good thing.

However, the President's plan is nearly silent on what benefits would have to be included in the basic package it would extend to people through tax credits and small group reforms. The few illustrative examples of basic benefit packages, which are carefully billed as examples, not requirements, include plans that provide only three physician visits a year or only fifteen hospital days a year, and plans that make no mention of maternity and prenatal care or of prevention. Under the President's plan, states may not be able to guarantee access to insurance worth having.

In theory, states should be an ideal jurisdiction for large health insurance risk pools, but to carry out serious reform in the face of the existing insurance system, the states need federal legislation to empower them. Without jurisdiction over self-insured employers or the clout to clamp down on insurance selection practices, the states can only tinker. The idea that the solution to the health care crisis will appear in the states, as if they could act on their own like true "laboratories of democracy," is a fantasy. ♦

States First

The Other Path to National Health Reform

John E. McDonough

As a state legislator in Massachusetts since 1985, I have seen the best and worst of state health policy-making. In 1988 the Massachusetts Legislature approved a measure intended to guarantee health insurance to all 600,000 uninsured state residents. The early steps under the law, covering students, the unemployed, and disabled adults and children, were preludes to a requirement, effective in 1992, that all employers provide insurance or pay for coverage by the state. Although flawed, the plan represented a striking effort by one state to push ahead of the federal government in the achievement of universal health insurance.

By 1991 a recession, a state budget crisis, and the political implosion of Governor Michael S. Dukakis led to a headlong retreat. To forestall repeal efforts by Governor William Weld, Dukakis's Republican successor, Democrats agreed to a delay of the employer mandate to 1995. Even



more disturbing, a Democratic legislature that three years earlier had committed itself to universal access now gutted all statutory protections for Medicaid recipients, and handed Governor

Weld both a blank check to cut benefits and a Medicaid budget underfunded by at least \$300 million. To make matters worse, the legislature agreed to deregulate a hospital rate-setting system that had been working since 1975.

Lesson: Trust the states, but not too much.

What the States Have Done

States occupy a critical role in the debate about health care, although no more so than

other key players such as the federal government, employers, labor, and health care providers. Those who look to the states as the source of all wisdom in health reform will be disappointed; those who dismiss the states as inconsequential will be surprised.

The best role model for the states comes not from the United States but from Canada. In 1947 the rural province of Saskatchewan became the first governmental entity in North America to adopt publicly financed, universal hospital insurance. Its action triggered the series of events leading to national health insurance in all of Canada in 1971. Indeed, Canada's national program is actually a provincial health system with major federal financing and rules.

Evolution toward a single-payer system of universal health insurance in the United States will first require that one or more states demonstrate its workability. (A re-

vised version of the Senate leadership's Americare proposal for universal coverage, which relies mainly on employer-based insurance, now includes an option for states to adopt single-payer systems.) Short of that step, the states can lead the way in developing policy—as they already have.

Universal Insurance

Our closest parallel to Saskatchewan is Hawaii, which in 1974 passed a law requiring all employers to provide health coverage for their workers. That same year, Congress passed the Employee Retirement Income Security Act (ERISA), which the courts have interpreted as barring the states from imposing any requirements on employers to provide health benefits. In 1981, when Congress passed a narrow exemption for Hawaii from ERISA, it assured large employers that it was setting no precedent regarding other states. While the terms of the exemption have restricted Hawaii's capacity to improve its system, the mandate has worked well, and the state is now moving to cover all residual uninsured residents. The clear lesson from Hawaii for the rest of the nation is that employer-mandated insurance can work without economic disruption.

Like Massachusetts, Oregon has made the provision of health insurance mandatory for employers and delayed implementation until 1995. But while Massachusetts' law has been under constant political siege from small business, Oregon's, crafted as part of its overall rationing scheme, has not faced serious attack. Both laws require employers either to provide health insurance for workers and their families ("play") or pay a health tax to the state ("pay"), which will then take responsibility for covering uninsured workers. Both laws were constructed to avoid the need to seek a congressional ERISA exemption by creating a new "tax" rather than a "mandate" on employers. Legal observers say that their legality is questionable and a federal court challenge is certain should either near its 1995 implementation date.

These states, along with others that have voted on but not approved employer mandates, have moved far ahead of the federal government in their health reform deliberations. The Massachusetts experience illustrates the difficulty of achieving universal access without effectively controlling costs. The Oregon plan shows how hard it is to establish clinical priorities. Both our missteps and our successful moves have provided important lessons for Congress.

No state has yet created a single-payer system of health insurance, but some are getting closer. In 1990 two state legislatures had bills that would supplant multiple private insurance firms with a single payer; by mid-1991, that number had risen to fourteen, in states as diverse as Kansas, New York, Florida, Minnesota, Iowa, Missouri, and Ohio. The state of Washington actually saw a single-payer bill pass its House of Representatives in 1990. Early this year, the California State Assembly gave more than 50-percent support to a single-payer proposal, although measures involving new taxes require two-thirds approval. Vermont is now engaged in a serious debate on a single-payer plan. If any state musters the political will to adopt such a system, the response of the federal government will be crucial. But, even so, the debate in the states is serving important educational and organizing purposes.

State Rate Setting

Since the mid-1970s, New York, New Jersey, Maryland, and Massachusetts have regulated prices for hospital care. Other states joined in later years. The federal government's initial willingness to grant waivers to permit Medicare and Medicaid to abide by these systems helped make them possible. But by the mid-1980s, only Maryland retained its waiver, largely because it has congressional instead of administration sponsorship.

These programs have gone in markedly differing directions. Maryland has retained

a consistent, all-payer system for more than fifteen years and has achieved impressive results. In 1974 its hospital costs were fourth highest in the nation, 30 percent above the national median; by 1990 its costs were 7 percent below the national median. New York has also successfully held down hospital costs—some would argue too much.

All rate-setting states have demonstrated an overall pattern of cost growth below the national average for more than fifteen years. All have done a markedly better job than other states in addressing the issue of uncompensated hospital care. State free care pools, an integral feature of rate-setting laws, are the fairest and most equitable instruments in the nation for universal hospital care. New Jersey's Uncompensated Care Trust Fund, for example, guarantees that hospitals will be paid for every uninsured patient that walks through their doors; as a result, New Jersey's hospitals do not try to dump the uninsured.

These laws have also been our closest experiment to the German and Canadian procedures for negotiating rates of payment. The federal government's only attempt to move in this direction was President Jimmy Carter's ill-fated proposal for hospital cost containment. Today, the Senate's Americare proposal includes specific incentives for states to use all-payer rate-setting systems. The state systems demonstrate the ability of regulatory models to hold down costs better than the market. And once again, states' experience informs Washington's reform efforts.

Tax Incentives and Employer Subsidies

The states' experiments with voluntary incentives provide a different, although equally valuable lesson: voluntary initiatives have limited value. This experience is especially important in light of President Bush's efforts to promote tax incentives and voluntary efforts to deal with the health care crisis.

State governments have created a variety of models to assist small employers

in providing health coverage. They have tried to reform the small-business insurance market, enacted tax incentives, subsidized employer premiums, and created reinsurance mechanisms and risk pools. As of mid-1991, more than twenty-eight states had passed laws carrying out one or more of these reforms.

More than five years of state experimentation with these options demonstrates their slender impact. Last November, *The New York Times* wrote of the "small-business insurance reform bust" as state after state reported limited interest in subsidized, bare-bones insurance. According to a study by Kenneth Thorpe of the University of North Carolina, a 50-percent premium subsidy offered to employers in New York increased the number of small employers offering coverage by only 3.5 percent.

The President and his allies may not like it, but the jury is already in from the states on the voluntary incentives approach. The results uniformly point to failure.

Medicaid and the Push for Rationing

The states have not played such a positive role in running the one major national health program for which they have primary administrative responsibility—Medicaid. From about 3 percent of state budgets in 1970, Medicaid climbed to over 13 percent 1990, reaching 20 percent in some states. As a result, the pressure for cost reduction has been intense.

In 1987, the state of Oregon became the first governmental entity in the U.S. to withhold medically necessary treatment from an individual in an explicit rationing decision. Although the state had approved a significant tax cut earlier the same year, seven-year-old Coby Howard died in December 1987 after the state refused to pay for a bone marrow transplant. This episode set off the series of events leading to the current proposed Oregon Medicaid Demonstration Project, which would explicitly deny services to poor women and children on welfare when those services fall below the level financed by state appropriations.

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George Will

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Drawing by William Bramhall for Stephen Holmes's "The Liberal Idea" in *The American Prospect*.

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Ironically, the plan now being considered would cover bone marrow transplants such as the one denied Coby Howard.

Oregon's rationale is that other states engage in a less visible though more insidious form of rationing by denying all services to entire populations of needy people. While this claim does not provide adequate justification for approval of the Oregon experiment, it is true that all other states engage in insidious, though less visible forms of rationing.

Although originally intended to cover all citizens who fell below the federal poverty line, Medicaid in 1987 covered only about 13.2 million Americans, while some 32.5 million were living in poverty. The federal government has given states broad discretion in defining financial eligibility levels, and their record is not admirable. Further, the eligibility cutoffs vary widely from state to state, even among states with common borders. In recent years, Congress has taken repeated steps to compel states to cover a larger number of families and individuals in poverty. Though states receive a minimum of fifty cents in federal money for every dollar spent on Medicaid, the outcry against these mandates to cover more poor women and children has been fierce.

Medicaid's variations in benefits from state to state are notorious. If eligible for Medicaid, you are covered for podiatrist services in North Dakota, but not in South Dakota; for dental services in California, but not in Colorado; for dentures in West Virginia, but not in Kentucky; for emergency hospital services in New Hampshire, but not in Connecticut; for prosthetic devices in Georgia, but not in North Carolina. And on and on.

From a menu of thirty-three allowed optional services, no two states provide the same range of services to their eligible recipients. As I learned when Massachusetts eliminated chiropractic treatment and other optional benefits, the primary impetus for the inclusion of these services comes from providers, not recipients. This state variation is without

rhyme or reason. And if one could find a rationale, it would not last long, because states are constantly adding and removing benefits based on available dollars, not medical needs.

And when eligibility standards and benefit levels have been squeezed as much as possible—and sometimes earlier—states can be sure to squeeze down on reimbursement of medical providers for covered services. As reimbursements decline, significant numbers of providers refuse to serve Medicaid beneficiaries. In state after state, recipients who have gotten through the eligibility hoops find new obstacles to locating doctors and other practitioners who will serve them. Availability of obstetrical services for Medicaid-eligible women is particularly scarce across the nation. States have the authority through their licensure powers to mandate that physicians accept Medicaid reimbursement as full payment. Although bills have been filed to do so in several states, no state has enacted one. The lack of participating providers is another hidden form of rationing within the system.

Yet another limitation of state policy has been "provider capture." In the well publicized Oregon Health Decisions public meetings leading to the state's rationing proposal, almost 70 percent of the more than 1,000 persons who attended the meetings were health care workers; two-thirds were college graduates, and over one-third had incomes greater than \$50,000. Not surprisingly, health care providers are protected against both reimbursement cutbacks and liability problems in the Oregon rationing plan.

In the Massachusetts hospital financing debate, the players who hold sway are the same as in all other states: the hospitals, BlueCross, the HMOs, and some large business groups. Standing outside the circle are the voices of labor, consumers, and senior citizens. Although only a miniaturized version of the dynamics at play in Congress, state legislatures and executives repeatedly

show themselves to be compliant pawns in the service of wealthy and effective concentrated lobbying interests.

A Framework for Effective Reform

Varied observers of the health care scene have noted the common elements of successful health systems in industrialized nations: 1) universal access for all citizens; 2) uniform rates of payment to providers; and 3) global budgets or expenditure caps affecting the entire system.

Within the United States, there exists substantial disagreement over the appropriate shape of national health reform. From single payer to play-or-pay to managed competition, a variety of reforms are advocated by thoughtful individuals and groups who share similar goals. Any system will face extraordinary problems given the rising numbers of people shut out of the system and our high rate of health spending, institutional commitment to high-intensity care, and level of physician specialization—all certain to generate intense cost pressures in the aftermath of reform as before.

A workable framework must recognize the uncertainty that exists about various proposals by setting firm parameters for a new insurance system and yet allowing the states flexibility to experiment in the organization of health services. The states' chief strength has been their ability to test different reforms and to achieve positive results without risking grave national consequences and without having to obtain nationwide consensus. Their chief weaknesses have been a tendency to slash benefits in difficult times, to engage in hidden forms of rationing, and to tolerate wide disparities in benefits among different groups. That their hands have been tied by federal tax laws, ERISA, Medicare, Medicaid, and other requirements does not negate their important role. That they have been hamstrung in the past is no reason to hamstring them further.

A program such as that outlined by the

National Leadership Coalition for Health Care Reform comes closest to recognizing the complexity and uncertainty that other health reform proposals seem to deny. The federal government can fix the financial outlines of a new system by guaranteeing access to all citizens, establishing rules ensuring uniform payments to providers, and by setting firm fiscal limits. Within these guidelines, states should exercise great leeway in the design and administration of health delivery systems, using fee-for-service, managed care, managed competition, and other approaches. States should have the ability to use private insurance, public-private sponsors, or complete public financing. But to avoid the failures of the past, particularly of the Medicaid program, we should keep specific lessons in mind:

- The federal government must guarantee universal access for all citizens to prevent the poor, sick, and disadvantaged from being shut out.
- The federal government should set uniform standards for the level and scope of benefits covered, allowing states some flexibility to seek waivers for programmatic experiments.
- State health budgets should require explicit federal approval to guard against implicit rationing.
- Both the federal and state governments should monitor reimbursement rates to providers to prevent loss of services to particular groups, and to ensure against provider withdrawal.
- The federal government should mandate prevention programs and incentives to promote primary care.

These parameters would permit states to continue to experiment with alternative delivery structures, but would guarantee adherence to access and cost-control goals. We must recognize that when it comes to the states' role in health care, we can't live with 'em, and we can't live without 'em. ♦

Social Support for Self-Reliance

The Politics of Making Work Pay

John E. Schwarz and Thomas J. Volgy

The philosophy of the work ethic, deeply engrained in the American soul, presumes that hard work will produce self-sufficiency. But for millions of working Americans that premise is a lie. The hardship of these workers and their families results from the growing scarcity of jobs that pay a living wage. There are eminently feasible strategies that could make work pay. But these remedies require public policies, which in turn depend on a working electoral majority. Hence, making work pay requires not just a program, but a politics.

Imagine the following election-year TV spots:

The viewer sees a woman in a white uniform and a name badge that reads "Mary." She is helping a frail elderly man in a nursing-home. A voice-over declares: "Mary works in the health care system, helping others, but she can't afford dental care for her six-year-old child." The commercial cuts to a man toiling over a car in a gas station. The announcer: "Bill can't buy Christmas presents for his three kids this year." In another cut, a woman is seen entering data into a computer. The announcer: "Jane's children are with the neighbors again. She can't afford decent day care." Finally, the camera cuts to a dejected man, dressed in work clothes, in a company cafeteria. The announcer says: "Bill's car broke down and there is no money to fix it. He hitched a ride today and was late. He doesn't know what to do tomorrow."

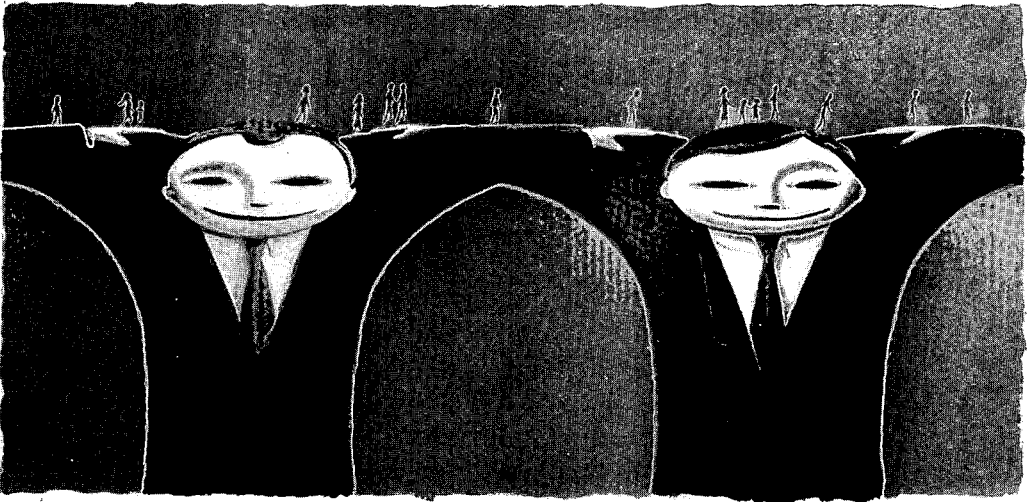
The commercial then cuts to a mosaic composed of these people. The announcer says: "What do all of these people have in common? They all work full time. None of them is on welfare. But there is no way any of them can make ends meet on their wages, not even for the basic necessities of life. None of them sees much hope for the future. And their future is our

future. Isn't it time we did something to bring back the American dream?"

Or how about this:

A young couple in a dilapidated car are driving slowly through a pleasant neighborhood, staring at a modest house. The young woman is holding a child. They are looking at the house like children staring at a toy store window. The announcer declares: "In the last fifteen years, the average young family with children actually lost about 15 percent in earnings. The house the Bells are looking at will never be theirs. As hard as they work, they can barely hang on to their own apartment. The American dream of owning a home is no longer within their reach. It's time to restore the dream for them."

These are not the commercials we have seen lately, although some recent candidates have touched on aspects of the broad theme. The failure of politicians, especially Democratic ones, to pursue the theme of making work pay is puzzling, for the working poor are at the core of the Democratic constituency. It is a theme that also bridges over racial and gender divisions by emphasizing common pocket-



book frustrations. Public opinion polls, even at the height of Ronald Reagan's popularity, suggested powerful latent support for the idea that work should pay and that government had a role in making that happen. Michael Dukakis talked about "good jobs at good wages," but failed to connect that theme with a substantive program. For the candidate who does communicate the theme and a program, there is a potentially winning politics.

Working But Poor

America's well-to-do, who vote at roughly twice the rate of the working poor, are remarkably uninformed about just how little millions of working Americans earn and about what it means to be "middle class." Insisting to an interviewer not long ago that in real life he lived like a fairly ordinary guy, Robin Leach, star of television's "Lifestyles of the Rich and Famous," said, "I have no servants. I do have a cleaning lady, like everyone else. I have no limo. In cities I usually hail a taxi like everyone else." Former Education Secretary William Bennett turned down the \$125,000 job of chairman of the Republican National Committee with the widely reported words, "I didn't agree to take a vow of poverty."

What does it take to live decently in America? As these comments suggest,

people in different social strata have different standards. Nonetheless, survey results tell us something important. Going back to the 1950s, Gallup surveys have asked Americans what they consider the minimum amount of income necessary for a family of four to live in their communities. These polls reveal that the median response of the Americans surveyed never dropped beneath 140 percent of the official poverty line at any time during the 1980s and reached a zenith of somewhat more than 160 percent of the poverty line during the second half of the 1980s.

These judgments correspond with some government studies. When the Department of Labor last measured the budgets of American families, it found that the income required to afford what it termed a "low" family budget approached 170 percent of the official poverty line. Housing surveys from the late 1980s disclose that four-fifths of American households with incomes below 175 percent of the official poverty line had too little income to cover the costs of their shelter, even if they spent only the minimal amounts for the other necessities contained in the Department of Labor's "low" budget.

For an ordinary family, we constructed an "economy budget." This budget, which we delineate in our forthcoming book, *The Forgotten Americans*, measures the lowest

realistic cost to cover basic necessities such as food, housing, clothing, transportation, medical care, and personal items. It includes no money for entertainment, eating out, vacations, child care, lessons or even allowances for the children, haircuts, pets, or many other activities that most American families take for granted. Amounting to \$20,660 for a family of four in 1990, this bare-bones budget comes to 155 percent of the official poverty line.

This is the real poverty line—the threshold of self-sufficiency. A look at the official poverty line only reinforces that conclusion. When first calculated in the mid-1960s, the official poverty line was defined as three times what an average family spent on food, which reflected family budgets at that time. Since then, the proportion that the average family spends on food has declined to one-fifth, but the measure of poverty has not been adjusted. If the official poverty line were recalculated for 1990 as five rather than three times the minimum food budget, the income necessary for a family of four to rise above poverty would be \$22,600—or 67 percent higher than the officially reported poverty line of \$13,360 for 1990. This higher figure would bring the poverty index into agreement with the surveys and other government studies we have cited, and also with the income required by our economy budget.

Many millions of solid, responsible, and hard-working Americans struggle to afford the basic necessities on incomes beneath this low level. Six million workers who were employed full time for the entire year did so in 1989, the seventh year of a record peacetime recovery. Another 5.5 million workers living beneath this income level in 1989 were employed part-year or part-time because they could not find full-time jobs for the entire year. The families of these two groups contained nearly 30 million people.

In 1989 the average hourly wage for all production workers (four-fifths of all private-sector workers in the United States) was \$9.66. Employed at this wage, a year-round, full-time worker earned \$19,320, or

slightly less than the economy budget of \$19,540 for a family of four for that year. Approximately half the production workers in America in 1989 earned wages that would have failed to lift a family of four above the real poverty line even if they worked full time over the entire year. Indeed, nearly 25 percent of full-time workers earned less than three-quarters of the real

Based on a bare-bones budget, the real threshold of self-sufficiency comes to 155 percent of the official poverty line.

poverty line. As a result, the idealized American family—two parents and two children, with one parent employed and the other at home—was not a possibility for many full-time workers, at least not if they wanted to escape poverty. With two children, these families cannot rise above poverty unless both spouses work. The problem of low wages thus not only leaves millions of hard-working people in poverty, but prevents millions of others from realizing the very kind of family life that conservatives especially hold out as a model.

A commercial starts with a grainy, black-and-white film of Henry Ford, walking around a turn-of-the-century Ford assembly line, mugging to the camera, chatting with workers. The announcer says: "Henry Ford understood the nature of free enterprise. That is why he introduced the two-day weekend and paid his employees good wages. He knew that unless he did, they couldn't buy the cars they built." The scene shifts to color, and the inside of a textile manufacturing facility, with people hard at work. The announcer says: "Today, America is in trouble because too many of our workers can't afford to buy the very goods they manufacture. Millions of our workers can't afford even the basic necessities for themselves and their families."

The scene shifts again to the interior of a sparkling, new-car showroom. The room is filled with shiny new Fords, one bored salesman sitting by his desk, and very few customers who are browsing. The announcer continues: "Maybe we need to remember what Henry Ford understood so well."

Will Voters Support Making Work Pay?

There is ample evidence in public opinion data that despite growing cynicism about government, most people think public policy should be enlisted to reward work. Voter cynicism has a populist double edge. David Broder wrote in a recent column, "Everywhere I went last autumn, I heard rumblings that the Washington insiders had forgotten who put them in power," adding that the restiveness reflects sentiments such as "Congress could find money for savings-and-loan bailouts and other 'special interest' needs but not for down-home concerns of average voters." To argue for the worth of public programs that help to recreate the American ethos is to appeal to our basic sense of what we are as a nation.

Nevertheless, there is a widely held perception that the public opposes an expansion of governmental action on the domestic social front. During the Reagan era, much was written on the public's skepticism of expanded federal governmental involvement designed to address domestic problems. Yet all major polls have found consistent, indeed overwhelming, popular support for domestic social programs before, during, and after the 1980 elections. Even in 1984, despite Reagan's landslide victory, only 6 percent of the voters indicated that they had voted for the President because of his conservative philosophy. Exit polls taken on the eve of the 1984 elections also showed 80 percent of the voters expressing support for continued or increased levels of federal social expenditures. In fact, public support, as measured by *The New York Times*/CBS News Poll, actually increased for social programs be-

tween 1980 and 1984. No wonder researchers have pointed to a "substantial ideological gap" between the social policies of the Reagan administration and not only the views of the American public in general, but even "those of the average Republican who was considerably left of the party's presidential nominee."¹

Nor is there any indication that the public's interest in supporting broad domestic social programs abated with the election of President Bush. The patterns of the Reagan period appear in even stronger form during the Bush administration. Within a year of the 1988 elections, issues related to poverty, hunger, and homelessness ranked second behind drugs in the minds of the public as the most important problems facing the nation. Surveys found that over 60 percent of Americans polled wanted to spend more money on a variety of social and health programs and wanted sharp reductions in defense spending. According to a *Washington Post*/CBS Poll of March 4, 1991, 81 percent of the American public felt that the government was not making enough progress on poverty issues.

On the more vividly symbolic issue of "bigger government," the public's position has also shifted. The Harris polls indicate that through the last decade there has been a persistent growth of national sentiment for more active government at the federal level. Despite President Bush's push for his "thousand points of light" outside of the governmental sector, majorities ranging from 73 to 92 percent of the American public say that they want more governmental activity to deal with environmental, homeless, and housing issues. By 1989, as Louis Harris wrote at the time, there were nearly twice as many people as in 1980 who favored a "more activist government."

To be sure, many conservatives oppose

1. Seymour Martin Lipset, "The Elections, the Economy and Public Opinion: 1984," *Political Science* 18 (Winter 1985), pp. 28-38.

any program requiring more governmental social expenditures. But a program strengthening the work ethic could have appeal for conservatives who otherwise regard antipoverty measures with little sympathy. Many conservatives tend to support government spending when the purpose is to induce and reward self-reliance. A leading conservative think tank, the Heritage Foundation, has advocated expanding the earned income tax credit as a way of providing assistance to those who work hard and yet still need help. This has also been the theme of leaders on the right such as Secretary of Housing and Urban Development Jack Kemp—and it is a view shared by many voters who are self-described conservatives.

The Program

Any program to improve the situation of the working poor should have several components. It should include education and training policies that increase workers' skills and hence their earning potential. It should try to assure more child support from absent fathers for single mothers and their children (see, in this issue, "Bringing Fathers Back In," by Irwin Garfinkel). It should aim to open up more full-time jobs that provide a living wage (see also in this issue, Virginia duRivage, "Flexible Trap: The Proliferation of Marginal Jobs").

Inevitably, however, a self-sufficiency program will require measures to bolster the income that low-wage workers earn from their jobs and provide meaningful incentives for people on welfare to work. Two core elements here are a liberalized earned income tax credit and a higher minimum wage. It is misleading to debate which of these approaches is superior, for they need to work in tandem. Too generous an earned income tax credit, by itself, would force taxpayers to subsidize stingy employers. To rely solely on a higher minimum wage to produce decent living standards for diverse families would be inflationary.

We propose to raise the minimum wage modestly to a level that will support a fully

employed single individual with no children at the real poverty line (155 percent of the official poverty line) and thereafter, if the family breadwinners are fully employed, to use tax credits to lift families with children above the real poverty line. Currently, that would mean raising the minimum wage to \$4.85 an hour, or a 14 percent increase, which would still leave it beneath its value relative to the median wage in either the 1950s or 1960s. The cost of family tax credits, net of savings from reduced welfare, food stamps, and other programs, would be \$20 billion, less than half the peace dividend that President Bush has recommended.

A "fully employed" family, in our usage, contains an adult who is single and employed 2,000 hours a year in one or a combination of jobs, or two adults who are

A program strengthening the work ethic could appeal to conservatives who otherwise regard antipoverty measures with little sympathy.

employed 3,000 hours a year, with less stringent standards for families containing small children or containing workers experiencing *bona fide* unemployment for a brief period. A family with two employed adults working 3,000 hours at minimum wage would earn an after-tax income of about \$13,500. Suppose that the real poverty line after taxes for a family of four were \$18,200—\$4,700 higher than \$13,500. If its earnings were its sole income, the family would then receive a refundable tax credit of \$4,700, raising the family's after-tax income to \$18,200.

These core income-support policies would be complemented by national health insurance reform, so that health care would not have to be purchased in the marketplace out of meager

household incomes. (A properly designed national health program will slow down the rate of growth of health expenditures, which, in the long run, could produce net savings.) Households receiving the family tax credits we propose would become ineligible for all other low-income programs,

The strategy assists people who work hard and creates a larger income differential between welfare and work.

many of which are stigmatizing. From its maximum (\$4,700 in the above illustration for a family of four), the family tax credit would decline by 25 cents for each additional dollar of income. As a consequence, fully employed families of four with incomes somewhat above \$30,000 would receive some assistance. In this manner, the program offers a vehicle to raise all fully employed families out of poverty and also provides benefits to families at less than the median income, the large majority of them struggling economically, even if they are not in poverty. Moreover, by accenting the fully employed, the strategy assists people who work hard and creates a larger income differential between welfare and work, thus nourishing and rewarding the work ethic rather than undermining it.

A program that enables fully employed families to attain self-sufficiency could assist up to 25 million people who are presently poor, with additional assistance given in the form of tax reductions to many families now only moderately above self-sufficiency. The number of Americans the proposal could help rivals the largest federal programs such as Social Security, or Medicare, but at much lower cost.

The secondary effects of these measures would help even more people and add to the political payoffs. Consider, for example, that the program would bring \$50 million

annually to a city of about 500,000 people. The beneficiaries will spend much of this \$50 million for local products and services, which will enhance the viability of hundreds of small local businesses dependent on the purchasing power of their community's residents. The spin-off and multiplier effects would spread throughout the local economy to the benefit of thousands beyond the recipients themselves.

A customer walks through a shop, looks at the merchandise, stares at the price tags, and leaves the store without buying anything. As the action unfolds, the announcer explains: "Alice Young's business will go bankrupt this year. Unlike the savings and loan institutions, the federal government will not bail her out. She works evenings and weekends, and she's wondering what went wrong. She doesn't know that in addition to those who are unemployed, there are millions of families who work full time, and are paid wages so low that they cannot make ends meet. They can't afford to shop in her store. Her business and her city's economy suffer from the problem of chronic low wages. When people around us cannot get decent jobs, the entire economy is hurt. When millions are shut out of the American dream, sooner or later it will hurt all of us. Isn't it time to do something about it?"

The Politics

A presidential candidate may yet embrace this theme for 1992. Would it make a difference? We can shed some light on that question by exploring what would have happened if the Dukakis campaign of 1988 had emphasized a far-reaching, comprehensive program to assist working Americans, highlighting the work ethic and the rewards that work should bring.

To project the electoral impact of the theme of making work pay, we looked to the General Social Survey of 1989, which provides information on a sample of 1,537 citizens. The voting outcome of the survey sample—Bush, 52.4 percent, and Dukakis, 47.6 percent—was within about 1 percent of the actual outcome of the election. We calculated the potential effects of this elec-

toral strategy on both non-voters and voters. In this analysis, based on the data from the General Social Survey, we took into account the income levels of voters and non-voters, their attitudes about assistance to the poor, and a range of cross-pressures that operate on their choices of candidates, and on whether or not to vote.

The conclusion is startling. The potential of a campaign focusing on issues about the economic health of families is substantial. About 65 percent of those who voted felt that the government was doing too little for the poor. In fact, nearly one-quarter (23 percent) of the votes cast for George Bush came from people who lived in lower-income households, many of which would directly benefit from programs to assist low-income workers, and who also believed that the government was doing too little to help the poor. If merely one in five of these voters had shifted from Bush to Dukakis—even allowing for a similarly proportioned, opposite shift from higher-income families—it would have added 2 percent of the total vote to the Dukakis column.

In addition to shifting the candidate preference of those who actually voted, this theme also has the potential of increasing voter turnout. Nearly half (44 percent) of all non-voters both lived in low-income households and believed that the government was doing too little for the poor. Political scientist John Zipp's research found that a primary reason for non-voting is that "individuals do not have their interests repre-

sented in the political sphere... [Non-voting becomes] a chosen form of political action."² Based on attitudes documented in the General Social Survey, we project that such a campaign could have generated an increase in turnout. From our analysis of the interrelationship of attitudes toward governmental spending, household income, and candidate choice among the voters, the possible increase in turnout would have added another 2.7 percent to the Dukakis vote, leading to an outcome giving Dukakis 52.3 percent of the vote and Bush 47.7 percent of the vote.

Of course, it is not possible to rerun the 1988 election. But our reexamination does suggest the potential that exists for a candidate or party that champions the cause of self-sufficiency.

A large flag flies in the foreground while in the background victorious American soldiers are embracing next to a charred battleground somewhere in the Iraqi desert. The announcer intones: "The war is over. We won. As Americans we are rightfully proud of what we have achieved. American bravery, intelligence, and hard work were successful." The scene gradually shifts to a factory of American workers, producing U. S. flags. Men and women, blacks, whites, Asians, and Hispanics are all working side-by-side. Everyone is working hard. The announcer continues: "These are also brave Americans. They work hard, too. But here, at home, we haven't won the war yet. The workers who make the flags we fly don't have wages that give them a chance at the American dream." The camera focuses in on one of the workers. The announcer continues: "Bill makes \$11,000 a year. His income will not provide the essentials to take care of his family. It's time for all Americans to have real opportunity. It's time to win the war at home." ♦

2. John F. Zipp, "Perceived Representation and Voting: An Assessment of the Impact of 'Choices' vs. 'Echoes,'" *American Political Science Review* 79 (March 1985), pp. 50-61.

Bringing Fathers Back In

The Child Support Assurance Strategy

Irwin Garfinkel

During the past decade, a new strategy has begun to unfold for dealing with poverty and dependency among single parents in America. At first only an idea among researchers, it has now gained significant political support. Key elements of the approach have been adopted by Congress and are being tested in two states, Wisconsin and New York. The new approach goes by the name Child Support Assurance, and if adopted in its entirety it promises to transform the politics of welfare and to bring about significant reductions in the high poverty rates that afflict America's children.

Demographers tell us that before children in this generation reach adulthood, more than half of them will live in a family headed by a single parent, usually their mother. Today, nearly half of children in single-parent families are poor, and even the more fortunate often suffer from the insecurity and sudden losses of income—averaging 50 percent—that follow divorce. These problems have lifelong consequences. Insecurity and poverty in childhood, many studies have shown, are directly related to low productivity and high rates of welfare dependency in adulthood.

Our Social Security system does little to reduce this virulent form of insecurity. One of its programs, Survivors Insurance, provides significant economic help to widows and their children, but welfare is the only protection afforded to children living with other single women. In 1935, when the Social Security Act was passed, most single mothers were widows and were not expected to work for pay. Now, however, most single mothers are divorced or separated, or were never married at all. Because most married mothers now work, single mothers are also expected to seek paid employment. But welfare is not well designed to help them achieve and maintain self-sufficiency.

Welfare provides aid only to those who have fallen into poverty. It does nothing to prevent them from becoming poor. Because it is a substitute for earnings, not a supplement, welfare cannot help make work more attractive than dependency. Indeed, the rules governing eligibility and payment levels discourage work and remarriage. Moreover, the welfare system isolates recipients from the social mainstream by funneling them through a separate bureaucracy; and by stigmatizing and separating them from the larger society, it promotes political division. Welfare also provides no help whatsoever to the millions of single mothers and children who are economically insecure, but not abjectly impoverished.

A child support assurance system—or as David Ellwood, the author of *Poor Support*, likes to call it, a child support enforcement

and insurance system—attempts to remedy many of these problems. It is a system for providing income support to single parents that does not discourage them from taking paid employment. Because it obtains most of this income from parents not living with their children, its costs to the public treasury are relatively limited. And because it is a universal system—covering middle- as well as low-income single parents—it does not isolate or stigmatize the poor. Unlike welfare, it also provides help to many single parents who are economically distressed but not destitute.

Child Support Assurance would apply only to children who are legally entitled to receive private child support from a parent, usually the father, not living at home. The system has three key elements:

- **Child support owed by a nonresident parent is set as a percentage of his or her income.** The percentage would increase with the number of children owed support.
- **Support payments are automatically withheld.** Like income and Social Security taxes, child support obligation would come directly out of the nonresident parent's paycheck and other sources of income.
- **A minimum benefit is assured.** The child's caretaker would receive either what the nonresident parent pays or an assured minimum child support benefit, whichever is higher. When nonresident parents pay less than the assured level, the government makes up the difference.

The guiding principle of Child Support Assurance is that parents should support their children. It is the government's role to see that parents fulfill this responsibility and that children receive support their parents must provide. The assured benefit ensures that in no month will the child support payment fall below some minimum amount. The assured benefit is not meant to be a welfare program, much less a

universal subsidy for children. It is meant to be a form of insurance, which, when needed, provides a small income supplement to families with child support awards. As such, its cost to taxpayers is small.

The combined provisions of Child Support Assurance—enforcing parental obligations more strictly but assuring single parents a minimum benefit—attempt to answer legitimate concerns about both welfare dependency and the economic security of single mothers. If welfare dependency is of no concern, it is easy to increase economic security. Just make welfare benefits more generous. That is exactly what we did between 1955 and 1975 and not surprisingly the proportion of single mothers dependent on welfare went from below 40 percent to over 60 percent.

Conversely, if the economic security of single mothers and their children is of no concern, it is easy to reduce welfare rolls. Just cut benefits. That is what we have done since 1975, as welfare rolls have dropped from over 60 percent to about 45 percent of single mothers. What the nation needs now are policies that simultaneously reduce insecurity and dependency. That is why Child Support Assurance is so attractive.

Child Support Assurance is patterned after Survivors Insurance. Like Survivors Insurance, Child Support Assurance aids children of all income classes who suffer an income loss due to the absence of a parent. The cause of the absence differs, of course. Survivors Insurance compensates for the loss of income arising from widowhood. Child Support Assurance compensates for the loss arising from divorce, separation, and abandonment prior to marriage. If the architects of the Social Security Act of 1935 could invent a social institution that assured children support by their deceased parents, surely we can invent a social institution to assure that children are supported by their living parents.

Child Support Assurance differs from social insurance in one respect. In social insurance programs, contributions typical-



ly take place before the event triggering the insurance. In Child Support Assurance, the nonresident parent pays child support only after becoming a nonresident parent. That is why its advocates in Wisconsin chose the name "assurance" rather than "insurance."

The Traditional System

Like many other liberals, I used to think of child support enforcement mainly as a form of harassment of welfare mothers. Since the fathers of poor children on welfare were themselves poor, they did not seem a promising source of new money. As the saying goes, "You can't get blood from a stone." This was the view of most researchers and policy makers concerned about poverty until the 1970s. But since then, my beliefs have changed, as has the consensus underlying research and policy.

In 1974, primarily due to Senator Russell Long of Louisiana, Congress narrowly approved amendments to the Social Security Act creating a federal office of child support enforcement. By coincidence, I was about to become the director of the Institute for Research on Poverty at the University of Wisconsin when federal officials charged with carrying out the new policy were searching for fresh research on child support. The research that we undertook, particularly a study by Judith Cassetty later published as

The Child Support Obligation, led me to an entirely new view of the problem.

Before 1975 child support was almost exclusively a state and local matter. State laws established the duty of nonresident parents to pay child support but left all the details up to local courts. Judges decided whether the nonresident parent would pay any child support and, if so, how much. They also decided what to do if the nonresident parent failed to pay.

The traditional child support system—still largely in existence—has condoned and fostered parental irresponsibility. Only six of ten mothers potentially eligible for child support from nonresident fathers have received court awards. Among mothers receiving awards, only about half have actually received the full amount of money to which they are entitled, and over a quarter have received nothing. The abysmal record of nonresident fathers has not been due primarily to their inability to pay support. In 1983, according to commonly used guidelines, nonresident fathers could have afforded—and should have been paying—between \$24 billion and \$30 billion, whereas they owed only \$10 billion and paid only \$7 billion.

The system has also been rife with inequity. Child support awards have varied widely even in similar economic cir-

cumstances. While most nonresident fathers have paid no child support and suffered no penalty, thousands of others have been sent to jail. Poor fathers under court order to pay child support have been required to pay a substantially higher proportion of their incomes than have middle- and upper-income fathers.

Critics of this system have called for many specific reforms. At the heart of reform proposals is an effort to replace judicial discretion with the administrative regularity characteristic of the Social Security and income tax systems. This principle is most fully expressed in the proposal to add Child Support Assurance to our repertoire of Social Security programs.

The Child Support Alternative

The advantages of Child Support Assurance over the traditional system become apparent if we look at each key element of the program.

Support based on income. Setting child support obligations as a percentage of the nonresident parent's income accomplishes several goals simultaneously. First, using a simple, numerical formula for child support reduces inequities and improves understanding of the system. Second, as the nonresident parent's income rises, his or her obligations automatically increase; this linkage effectively indexes child support awards to inflation, offering better protection than welfare programs usually afford.

Third, when the earnings of a nonresident parent decrease due to unemployment or illness, child support obligations automatically drop. Yet while the nonresident parent can thereby better cope with such reverses, the caretaking parent is partly protected by the minimum assured benefit. Over time, the incomes of most nonresident parents increase. Establishing child support awards as a percentage of their income will, therefore, lead to increased payments to most children, while providing greater fairness to nonresident parents who become ill or lose their jobs.

Income withholding. Routine income

withholding increases both the size and timeliness of child support payments. Nonresident parents who have defaulted for a few months may have spent the money for other purposes and often cannot afford to pay back the accumulated debt. During the early 1980s, Wisconsin required withholding of child support only in cases of delinquency; under that system, 70 percent of nonresident parents became delinquent within three years. An evaluation of Wisconsin's recently implemented system of routine withholding found that it resulted in an increase of 10 to 30 percent in child support payments.

No society profits by making parents into lawbreakers. Routine withholding is a preventive measure that removes stigma and punishment from the collection process, while enhancing children's economic security.

Assured benefits. The crucial financial role of government is to make up the difference in child support when nonresident parents pay less than the assured benefit level. The assured benefit, which would last until a child turns nineteen years of age, insures all children legally entitled to private child support against the risk that their nonresident parent will fail to pay. Sudden declines in the nonresident parent's income now frequently result in a precipitous decline in child support. An assured benefit would cushion this fall.

This assured benefit would not simply be for the poor. Indeed, it would help single parents with low earnings and little child support to escape poverty. Without an assured benefit, many mothers now on welfare would still be poor even if they worked full time and received all the private child support to which they were entitled under current law. An assured benefit provides a more ample and secure base of child support that can be combined with a job to make life off welfare far more tolerable.

The assured benefit would not encourage those on welfare to remain dependent. Single parents on welfare would have their welfare benefits reduced by one

dollar for each dollar of the assured benefit. The assured child support, however, would not be reduced by any income earned by the resident parent. Thus parents on welfare could take advantage of the assured benefit only if they left welfare and went to work.

Can Poor Fathers Really Help?

But what about the original objection, "You can't get blood from a stone"? To say, as I have, that nonresident fathers as a whole can afford to pay \$15 billion to \$21 billion more in child support still leaves open the question of what to do about those fathers who are poor.

First, it is important to recall that Child Support Assurance is concerned with providing support to children up through age eighteen. A twenty-year-old father incapable of providing much support at the time of his child's birth may be earning a decent living five or ten years later. Establishing paternity at the outset and maintaining support obligations, even if low, ultimately will generate significant private resources for single mothers and their children.

In addition, Child Support Assurance sends a clear message about parental responsibility. If a father is excused from contributing, he gets the message that he has nothing of value to share with his child. If he is required to contribute, he gets the message that no matter how little he has, he still has something worthwhile to offer his child. The requirement of some sharing, therefore, treats the father with greater respect and gets more resources to the child.

We expect all fathers who live with their children to share their earnings with their families, however little those earnings may be. Resident fathers who fail to do so are guilty of child neglect. In such cases, the state has the legal right to take their children away from them. Why, then, should fathers who live apart from their children be entirely excused of any obligation to share with their children?

To grant that poor nonresident parents should share at least some of their income with their children does not imply that the

sharing rate should be the same as for more well-to-do parents. Whether the sharing rates for poor nonresident parents should be lower is a complex question. I have advocated a proportional rate because it is simple, intuitively equitable, and more progressive than the current system.

As a general principle, I favor helping poor nonresident fathers, not by letting them off lightly when it comes to supporting their children, but through programs that improve their ability to earn higher wages. These men need better work and training opportunities; they do not need to be exempted from the normal obligations that responsible parents bear.

Progress and Setbacks

The appeal of Child Support Assurance as a way of reducing welfare dependency and increasing economic security spread during the past decade, beginning in a state long known as a pioneer in social insurance—Wisconsin.

In 1980, under contract with the Wisconsin Department of Health and Social Services, several colleagues and I drew up a detailed design, including projected costs, for a statewide Child Support Assurance System. For the next few years we worked closely with state officials in Wisconsin refining the plan and gaining political support, which was initially bipartisan. In 1983 Wisconsin became the first state to start testing elements of Child Support Assurance, and the program we devised has become the model for national reform.

Yet, concerned about costs, Wisconsin implemented the system slowly, and whether it will adopt the program in its entirety is unclear. By late 1987 the state had two of the three key elements in place. It began automatic income withholding from nonresident parents, and it changed the method for calculating child support obligations to the percentage-of-income standard. In 1986, however, the third key element—the assured benefit to poor parents—became a partisan issue with the opposition of a new Republican governor,

Tommy Thompson. It now seems unlikely that Wisconsin will test an assured benefit, at least as long as Governor Thompson remains in office.

Nationally, in the past seven years, judicial discretion has begun to give way to administrative regularity in child support. In two key legislative steps, Congress has pushed the states toward adopting the income guidelines and routine withholding that Child Support Assurance entails. The Child Support Enforcement Amendments of 1984 required states to adopt numerical guidelines for child support that courts could use to determine parental obligations. The amendments also required the states to withhold child support obligations from wages and other income of nonresident parents who become one month delinquent in child support payments.

The 1988 Family Support Act strengthened these provisions. While the 1984 amendments allowed the courts to ignore the guidelines, the 1988 legislation made the guidelines the presumptive child support award. Judges may depart from the guidelines only if they give a written justification that a higher court can review. The 1988 law also requires routine withholding of child support payments as of 1994.

Although no state yet provides an assured child support benefit, Congress has encouraged experimentation with the idea. In 1988 New York received a waiver similar to one earlier given Wisconsin to use federal welfare funds to test an assured child support benefit. New York is currently conducting that test. In its final report last year, the National Commission on Children, chaired by Senator Jay Rockefeller, unanimously recommended that the states be encouraged to experiment with an assured child support benefit.

Costs and Benefits

The first questions that policy makers ask about Child Support Assurance are "How much will it cost?" and "What are the

benefits?" To answer those questions, my colleagues and I developed a micro-simulation model, a standard method for projecting the effects of social and economic programs. To measure the benefits of Child Support Assurance, we estimated how much a program would reduce welfare caseloads and the "poverty gap." The poverty gap is the difference between a poor family's income and the poverty line.

Of course, both benefits and costs depend on the level of the assured benefit, guidelines for child support awards, and the effectiveness of child support collections. Using different assumptions, we developed several alternative scenarios for what would happen if Child Support Assurance were fully or partially implemented, with assured benefits that varied from zero to \$3,000.

We assumed, under the most optimistic scenario, that child support collection from nonresident parents would be 100 percent effective. Under these conditions, the reductions in the poverty gap for families eligible for child support are substantial. Even with no assured benefit, improved child support collections would reduce the poverty gap by nearly one quarter. Adding an assured benefit of \$3,000 for the first child nearly doubles the reduction in poverty. Reductions in welfare caseloads would also be large. A \$3,000 assured benefit would cut the welfare caseload nearly in half; a \$2,000 benefit would reduce it by one-third. Perhaps most notably, all except the most generous assured benefit would result in net public savings. These savings are due to increased private child support collections (that is, from nonresident parents) and consequent reductions in welfare expenditures, which more than offset the extra dollars paid out for the guaranteed minimum benefit.

Because these estimates presume a perfect child support collection system, they identify an upper limit on the benefits of Child Support Assurance. As of 1991, the collection system is a long way from perfection. Enactment of recent federal legislation

will surely increase the number and amount of child support awards and raise actual payments, but we do not know now how quickly these improvements will come or how large they will be.

In a second scenario, we assumed enactment of an assured benefit but no improvement in private child support. Not surprisingly, on these assumptions short-run benefits would be modest. A \$2,000 assured benefit would reduce the poverty gap by only 5 percent and welfare caseloads by just 8 percent. Even an assured benefit of \$3,000 for the first child reduces the poverty gap by only 9 percent and welfare caseloads by only 14 percent. The assured benefit would have net costs in the short run at all levels. Recall, however, that because private child support payments are expected to increase, these assumptions tend to understate benefits and overstate costs.

In a third scenario, we assumed that both award rates and collection rates would be halfway between current levels and those we envision as a goal or standard. Under this scenario, the benefits are fairly large. An assured benefit of \$2,000 reduces both the poverty gap and welfare caseloads by about one-fifth, while an assured benefit of \$3,000 cuts the poverty gap by one quarter and welfare caseloads by one-third. Moreover, the governmental costs are small.

We designed Child Support Assurance so that the entire package would be revenue neutral when fully implemented—that is, when the guidelines for awards, routine withholding, and assured benefit are put fully into effect. Looked at separately, the assured benefit costs money, while the other two components are money savers. As a result of the recent federal legislation, the money-saving components will be largely in place in most states within the next few years. The separation of the assured benefit from the other two components should not, however, create the impression that the assured benefit is a cost-free program of its own. It is part of a new system of child support that can reduce

child poverty and welfare dependence only if all its three elements are adopted.

The short-run benefits of Child Support Assurance will necessarily be small because relatively few children in single-parent households will benefit until improvements are made in the establishment of paternity. The short-run costs, although still not very high, are higher than they will ultimately be once child support enforcement practices become well established. Fortunately, as a result of the 1984 and 1988 legislation, the nation is well on its way to improving those enforcement practices. In any event, even in the short run, a nationwide \$1,000 assured benefit would cost only \$500 million. In the long run, Child Support Assurance can substantially reduce both poverty and welfare dependence at no additional governmental cost.

Although these estimates of the impact of a new child support assurance system are encouraging, they also highlight its limitations. Even if the private child support system ultimately worked to perfection, the simulations indicate that 60 percent of the poverty gap and over half of the welfare caseload would remain. As an antipoverty program, Child Support Assurance is not a panacea. Other policies are needed to complement it.

Will Child Support Assurance Do Unintended Harm?

Some critics, mindful of the perverse effects of past antipoverty policies, worry that Child Support Assurance will aggravate current social pathologies. They are particularly concerned that it might increase out-of-wedlock births and family breakup.

Child Support Assurance creates two opposing effects on potential parents of out-of-wedlock children. On the one hand, by providing a more certain, less stigmatized source of income for single parents, Child Support Assurance does ease the difficulties of raising children alone, and that could lead to more out-of-wedlock births and divorces. On the other hand, stricter enforcement of child support

raises costs for a nonresident parent and could thereby discourage out-of-wedlock births and divorces. Which effect will predominate is impossible to predict *a priori*.

The available evidence suggests that higher out-of-wedlock birth rates are unlikely. Empirical studies of welfare in this country and child allowances abroad have failed to demonstrate any effect of these programs on birth rates. Thus increased child support is unlikely to induce prospective mothers to have more babies. On the other hand, as word gets around that nonresident fathers must share their incomes with their children for eighteen years, young men might take more precautions to avoid unwanted pregnancies.

Will an assured benefit lead to more family breakdown? The benefit might create an incentive for some parents to separate, or to feign separation, to realize the assured minimum benefit level. Of course, the higher the guarantee, the greater the incentive. Welfare has the same drawback. Although the impact of welfare on family cohesion is hotly disputed, empirical studies have found only slight effects. There is no reason to believe that the effects of a modest assured benefit would be any larger. Moreover, the enforcement efforts against nonresident parents reduce the incentive to split up by making the nonresident parent cover more of the cost of supporting his child.

Where Have All the Fathers Gone?

Yet another objection to Child Support Assurance is that for children born out of wedlock, we often simply do not know who the fathers are. And without knowing who they are, we cannot get them to contribute to their children's support.

Routine procedures for establishing and recording paternity at birth are critical for the success of Child Support Assurance. In the United States as a whole, state offices of child support now establish paternity for about 30 percent of out-of-wedlock births, which is 50 percent higher than a decade

ago. In general, the process is initiated only after a mother applies for welfare, often long after the birth. Sweden establishes paternity for over 90 percent of children born out of wedlock by assigning the job to hospitals. The state of Washington has recently adopted a similar approach. Michigan already establishes paternity for about two-thirds of out-of-wedlock children.

The establishment of paternity is closely related to the adoption of an assured child support benefit. The assured benefit is an incentive for a mother to cooperate in identifying the father of her child because she cannot get the minimum benefit unless she is legally entitled to private child support. Legal entitlement to child support depends in turn upon the identification of a liable nonresident parent.

Conversely, only if the mothers of children born out of wedlock identify the fathers will the assured benefit have its full impact on economic insecurity and welfare dependency. As leaders of low-income communities come to understand the connection, their attitudes toward establishing paternity and enforcing child support should change.

Historically, advocates for the poor have understandably not had much enthusiasm for child support enforcement, which under the present welfare system amounts to Robin-Hood-in-reverse economics: It takes income from poor fathers to reduce welfare costs and ease the burden of more affluent taxpayers. Of course, if one believes as I do that poor fathers should be paying child support, enforcement is hardly equivalent to stealing. Nevertheless, strengthening enforcement does effectively shift income from the poor to those who are not poor.

An assured benefit offsets that effect. It reinvests welfare savings in poor families, provided that single mothers establish paternity and thereby secure an entitlement to child support that enables them to work. We ought surely to be concerned about poor fathers who have trouble supporting

their children, but the right way to express that concern is to help them increase their earnings.

If we are going to have an assured benefit, some argue that it ought to be available to all children from single-parent families, not just those with established child support orders. It is not fair, the argument goes, to deny this benefit to children who through no fault of their own are without awards. Indeed, sometimes even their mothers want awards but are unable to obtain them. Should they be penalized?

Again, the rationale turns on the logic of bringing fathers back in. Making eligibility contingent on an award encourages the establishment of paternity. Currently, the vast majority of children born out of wedlock do not have child support awards. An assured benefit that will not be reduced if earnings rise provides a strong incentive for mothers to cooperate in the establishment of paternity and hence in bringing more fathers into the system of private support.

Child Support Assurance Versus Welfare

Some people think Child Support Assurance is just welfare by another name. The assured benefit is certainly a transfer program, but it is not welfare if it retains its universal nature. The definition of welfare is that benefits are restricted to the poor. Aid to Families with Dependent Children (AFDC), Medicaid, and Food Stamps count as welfare, while programs available regardless of income, such as public education and Social Security, do not. Since Child Support Assurance guarantees a minimum level of child support to all children who have a legally liable absent parent (regardless of the income of their custodial parent), the assured benefit does not meet the definition of welfare. If, however, the intent of the program is corrupted and benefits are restricted to the poor, Child Support Assurance would become another welfare program.

The distinction is important. Child Support Assurance, especially its assured

benefit, is designed specifically to provide a universal alternative to welfare assistance for single-parent families. The assured benefit differs from AFDC in myriad ways. Eligibility for assured child support depends upon legal entitlement to receive private child support; it does not depend on

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low income. The program is not for the poor alone but for children with nonresident parents from all income classes.

Programs that benefit only the poor may be prudent in their limited scale. Simple arithmetic suggests, however, that the more a program's benefits are targeted to the poor, the larger the number of people who do not identify with the program's beneficiaries or care about the program's indignities and inadequacies. AFDC would carry much less stigma if its benefits had a more universal constituency.

AFDC is also unpopular because of its reputation as a "poverty trap." The trap arises from the relationship between benefits and low-wage work. If benefits are high enough to compete with low-wage jobs and are reduced dollar for dollar as earnings increase, welfare recipients find that work simply does not pay, or else they take only intermittent, off-the-books jobs. Although the majority of families ever on welfare collect benefits for no longer than a couple of years, most beneficiaries at any time are in the midst of a period of welfare receipt at least eight years long. For these beneficiaries, welfare does seem to function more like a trap than a temporary cushion.

The advantage of a system of universal,

assured child support, with no earnings disincentive, is that it would encourage poor mothers now mired within welfare to work, remarry, and integrate themselves and their children in the social mainstream. Unlike welfare, but like Social Security, it would increase the economic security of all children potentially eligible for child support. And unlike welfare, it would be very cheap to administer.

Yet why not go further? Instead of limiting benefits to children who live with single parents, wouldn't it be better to provide benefits to all children?

The United States is the only Western industrialized nation without a child allowance, a source of public income support for children of all citizens, rich and poor alike, which would benefit two-parent as well as one-parent families. Yet child allowances, while desirable, are not a substitute for a Child Support Assurance. Child allowances are not and cannot be large enough to make up for the earnings of a dead or nonresident parent. No country with a child allowance has abolished survivor's benefits. Nor has any abolished its child support enforcement system. Several European nations, including France, Germany, and Sweden, however, have adopted versions of an assured child support benefit.

Strengthening child support enforcement has already begun to reduce AFDC costs and will do so even more in the future. The AFDC savings could be used to reduce taxes or for any other public program. But there is a logic and political appeal to using reduced welfare costs to provide an assured minimum benefit for child support. In effect, we will be reinvesting the savings from welfare in a program to prevent relapses into poverty. And because one-half of the next generation will be potentially eligible for child support, it is also a wise investment in our future.

Can We Get There?

Although the nation seems to be steadily moving toward Child Support Assurance, we still have a long distance to go. Despite the adoption of guidelines, the courts are still heavily involved in determining child support obligations. Few states have yet implemented universal, routine withholding of child support obligations. All states have much to do to ensure universal establishment of paternity. And, perhaps most important, neither the federal government nor any state has adopted an assured child support benefit.

The next step toward Child Support Assurance may come from Congress. Legislation introduced in the Senate by Christopher J. Dodd and Jay Rockefeller would encourage the states to experiment with an assured child support benefit, while a proposal by Congressman Thomas J. Downey of New York calls for a full-fledged national Child Support Assurance program.

As the Wisconsin experience has indicated, there is a danger that states may carry out the money-saving components of Child Support Assurance—income-based support guidelines and routine withholding—but then reject the assured benefit. Yet, as I have suggested, without the assured benefit, the incentives for cooperation, particularly in the establishment of paternity, are insufficient, and the program will not succeed in sharply reducing poverty rates. Child Support Assurance may be viewed as a three-legged stool, in which the assured benefit is as vital to its balance as a numerical child support guideline and routine income withholding.

Welfare is a weak response to a pervasive problem. Economic insecurity and poverty plague single-parent families and their children, and the majority of children in America now spend part of their childhood living with a single parent. Isn't it time that we extend Social Security to make their lives and ours more secure? ♦

Flexibility Trap

The Proliferation of Marginal Jobs

Virginia L. duRivage

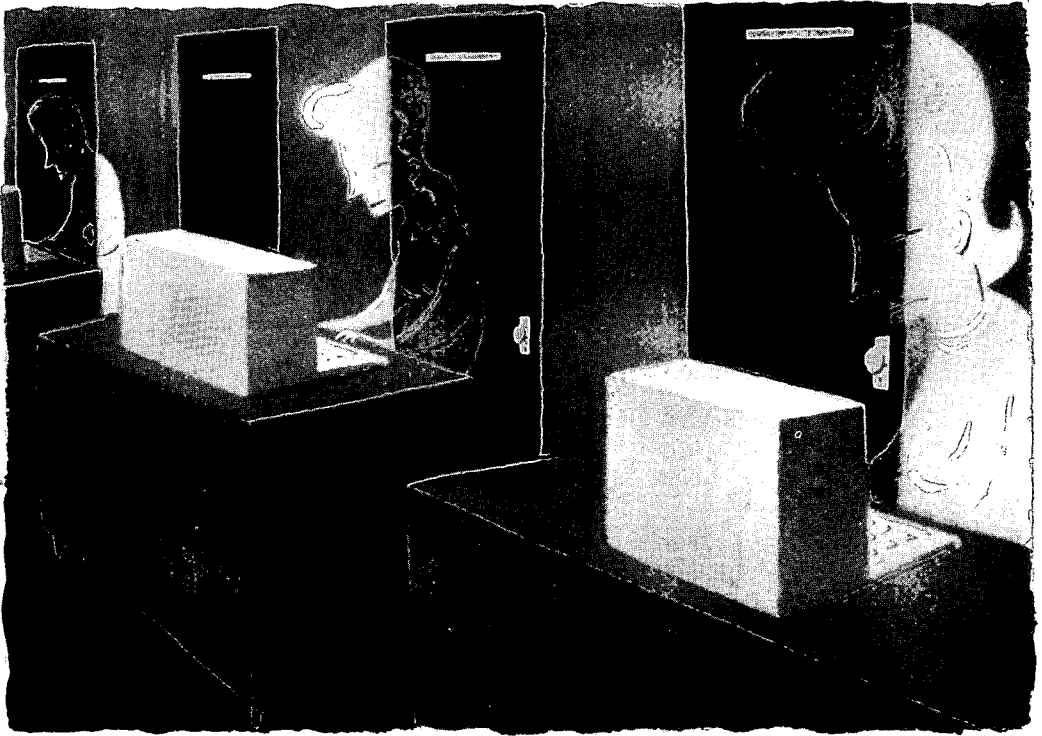
Full-time, career employment is fast becoming an anachronism in today's changing economy. Since 1973, the rate of part-time, temporary, and subcontracted employment—what labor market analysts call “contingent” employment—has grown far faster than the rate of full-time work. Nearly one in five workers today works part-time while the temporary help industry is one of the fastest growing sectors in the economy. Close to 30 million people—over a quarter of the U.S. labor force—are working in jobs outside the regular full-time work force. And while a significant number are well-paid freelancers, most contingent workers are women and minorities clustered in low-wage jobs with no benefits or opportunities for advancement.

The expansion of contingent employment is evidence of a fundamental transformation of work. These changes are driven, in part, by business's need for flexibility in a changing, competitive economy. But while the word “flexibility” connotes more creative adaptation and a sensible strategy of shifting workers to new tasks, locations, and skills, the reality is grubbier. Mainly it has to do with business's desire to trim short-run costs. By classifying workers as “part-time,” “temporary,” or “independent contractor,” employers can shift the burden of fringe benefits and job transition to individual workers and their families. They can pay workers lower hourly wages, exclude them from better-compensated permanent jobs, save on health and pension costs, weaken labor unions, and, in the case of independent contractors, avoid payroll and unemployment insurance taxes.

At the same time, a growing number of workers welcome shorter working hours, as a strategy for combining paid work and family responsibilities, or for mixing work and school, or for phasing in retirement. But

there is a mismatch between what workers want and what available jobs offer. There are more part-time and temporary jobs than people who want them, yet workers who prefer to work less than full time are severely limited in their job choices and in the benefits offered. Under the guise of “flexibility,” workers are being trapped into accepting lower standards of employment.

The real issue is not labor market flexibility—we all want that—but rather who will bear its costs, and how we can reconcile job flexibility with the lives of employees and the productivity of society. Employers do need flexibility to adjust the shape and size of their work force to meet changes in product demand and necessary employee skills, just as workers need flexibility to reconcile home and work. U.S. employment policies that hurt contin-



gent workers are undergirded by three major assumptions which no longer describe today's labor market realities:

- Public and private employment policies presume full-time workers with one life-long employer—a prototype clearly out of date with today's workforce.
- Federal and state labor laws exclude from protection or treat poorly the women and minority groups who predominate among contingent workers on the assumption that they are marginal or peripheral to the primary labor force.
- Basic social welfare needs in the United States—health care, paid time off, and pensions—are tied to the employer-employee relationship rather than citizenship, on the assumption that employers will continue fulfilling those responsibilities.

The full-time archetype still dominates

virtually every institution governing work life in the U.S., beginning with how workers are counted, how much they are paid, what fringe benefits they receive, and what benefits they are entitled to when they lose their jobs or retire. But it leaves out tens of millions of workers who are the fastest-growing category of employee.

Contingent work, in short, is no longer just a marginal phenomenon. It has emerged as a permanent strategy for cheapening the workforce and weakening the bargaining power of labor. It threatens the economic security of all workers by dragging down wages and increasing wage-income inequality. It weakens the public purse through lost tax revenues and higher public welfare costs for contingent workers who are more likely to depend upon public assistance. It increases the burden on good employers who are forced to subsidize the poor employment practices of others. And, finally, contingent employment threatens to undermine the productivity and efficiency of the U.S. economy.

As public consciousness of the economic costs of "short-termism" increases, the

damage done by the contingent work approach ought to be at the center of the debate. To maximize productivity, the economy needs highly skilled workers, with a commitment to their jobs. That, in turn, requires employers to view workers as long-term partners, worthy of investment in skills training and long-term career development. But contingent work is the antithesis of that model.

Who Is a Contingent Worker?

Contingent workers are often missed in official counts of the U.S. labor force. Part-time workers, the most numerous among this group, are the best documented. Today, nearly one in five U.S. workers is employed part-time—defined as working in a job less than thirty-five hours a week—but labor market analysts agree the real number is probably higher. Surveys only ask workers how many hours they work in a week, not how many jobs. The dramatic growth in moonlighting or multiple job-holding in recent years suggests that many workers who look like full-timers when their hours are counted may in fact hold two or more part-time jobs. Over seven million workers now have more than one job.

It is a myth that most part-time workers, especially women, prefer to work part-time. In recent years, the sharpest increase in part-time employment has been due to the jump in the involuntary part-time labor force—workers who want full-time hours but cannot get them. Women predominate in this category, accounting for over half of the five million involuntary part-time jobs in 1990. Women are also more likely than men to work part-time routinely. What looks voluntary, however, often obscures the fact that many women prefer full-time work or nearly full-time work that offers full-time benefits, but feel constrained by a lack of adequate child care—information that is not recorded in official tallies of why people work part-time.

The motivation for temporary employment is also misconstrued. Contrary to popular belief, women—who make up

two-thirds of the temporary labor force—do not opt for temporary employment as a way to balance work and family needs. Research by the Institute for Women's Policy Research has shown that married women with children are no more likely to prefer temporary employment than are unmarried women in these jobs. In reality, most temporary workers are looking for permanent full-time jobs.

Official estimates of the size of the temporary work force are also understated. The temporary work force includes individuals hired out by a temporary employment agency such as Kelly Services as well as temporary workers who are hired directly by an employer. The federal government, however, only counts workers employed by temporary help agencies. Since 1982, this category has grown nearly three times as fast as overall employment. During the course of one year, over six million persons perform some work through a temporary help agency. Private surveys of firms who hire temporary workers directly suggest that the total use of all types of temporary work is probably twice as large as the official count.

In recent years there has been a surge of black men into blue-collar temporary employment. Low-skilled manual work now makes up the second-largest category of work in the temporary help supply industry, employing roughly one in five temporary workers. This is the fastest-growing and the poorest-paying segment of the official temporary labor force—and nearly all would prefer full time and permanent employment.

Contract work—subcontracting by another firm or by an individual—is the third leg of the contingent work force. Many contingent workers employed by a firm contracted to perform specific services such as cleaning or food preparation are counted as part-time or temporary workers. But individuals who identify themselves as self-employed or as independent contractors have grown during the

1980s from 6.2 million to 9.5 million. Some of these workers are well-paid entrepreneurs providing medical, legal, or financial services to multiple clients. A significant number, however, work illegally for only one "client"—their real employer—who lists them as contractors to save payroll taxes, fringe benefits, and paperwork.

Trade unionists in the construction industry have documented the practices of unscrupulous employers who fire regular workers and rehire them as "independent contractors." The Internal Revenue Service estimates that as many as 38 percent of employers deliberately misclassify their employees as "independent contractors" to avoid paying unemployment compensation taxes as well as Social Security and workers' compensation.

The diffused nature of contingent employment has yielded a range of estimates, from 27 million to 37 million—about one-third of the total U.S. work force. The emergence of contingent employment mainly signals the economy's failure to create adequate employment for individuals who need full-time work. And it has consigned these workers—especially women and male members of minority groups—to a marginal existence of low wages, no benefits, and uncertain futures.

The Problem of How to Pay

As noted, employers hire contingent workers to cut labor costs. Part-time workers earn about 60 percent of the hourly wages of full-time workers, while temporary agency workers take in about 70 percent of the hourly earnings of all workers. Much of this wage gap can be explained by the concentration of these workers in the lower-paid retail trade and services industries and the disproportionate number of women, teens, and elders who make up this labor force. Yet even when workers are matched by industry, occupation, sex, and age, a substantial wage difference (about 15 percent) persists between full- and part-time workers.

Minimum-wage policy reinforces the

failure to pay contingent workers wages more comparable to those of full-timers. Part-time workers are six times more likely than full-timers to work for the minimum wage. Yet despite long-delayed recent increases, the minimum wage has continued to drop below its real value in 1981, pushing more of these workers into poverty. During the debate on raising the minimum wage, many opponents argued that an increase

When employers fail to pay decent wages, not only do contingent workers get poorer, the rest of us get squeezed.

was unnecessary because more than three-quarters of minimum-wage workers hold jobs that are not essential to family well-being. Yet the majority of the people counted as nonessential are working wives.

As long as women's earnings are deemed peripheral to family income, policy makers will continue to ignore the critical importance of raising the minimum. Small business is currently lobbying Congress to legislate a permanent small-business exemption to the minimum wage—a move that would do further harm to the contingent workers who make up the bulk of the work force in small firms. Business costs are an important consideration in evaluating proposals to increase the minimum wage. But an equally important consideration is the weakening effect of an inadequate national pay standard upon the entire wage structure. In fact, according to University of Massachusetts economist Chris Tilly, 42 percent of the growth of wage inequality in recent years can be attributed to the growth of part-time work and the widening gap between the earnings of part-time and full-time workers.

When employers fail to pay decent wages, not only do contingent workers get poorer, the rest of us get squeezed. Accord-

ing to research by Sar Levitan and Elizabeth Conway, one in six part-timers and one in five involuntary part-timers have family incomes below poverty compared with only one in thirty-seven regular full-time workers. Involuntary part-time workers are almost twice as likely as all other workers to depend upon public subsidies. The pressure to liberalize the earned income tax credit, at taxpayer expense, arises primarily because not enough work pays a wage that families can live on.

An important strategy for boosting the pay of contingent workers is wage parity. In the U.S., we have laws requiring that blacks and whites or men and women doing identical jobs receive equal pay, but no equal hourly pay laws. There is no federal labor standard assuring that a part-time telephone operator who performs work identical to the full-time operator sitting in the next chair will receive the same hourly pay. Ignoring the equal-pay rights of part-time workers underscores the low status accorded them in public and private employment policy. On the other hand, in much of Western Europe official labor standards and collective bargaining agreements, as well as proposals to the Social Charter governing labor standards under a united Europe, recognize equal pay guidelines for part-time and many temporary workers. Fairer pay standards for contingent workers—including wage parity and a more adequate minimum wage—would boost the wages of contingent workers and restrain employers from exploiting this labor force.

Contingent Work: Bad for Your Health

Contingent workers have become a major weapon in the employer's fight against escalating health care costs. Part-time and temporary workers are three times less likely than full-time workers to receive health insurance coverage through their employers. More private insurers are simply refusing to underwrite employer coverage for part-time workers. Employers

and policy makers alike assume that these workers receive health insurance through their spouses, yet dependent coverage is an item employers are dropping from employee health benefits packages. In addition, the growing number of single-parent families weakens the notion that contingent workers can count on a spouse for health insurance.

In today's market, the costs of buying individual health insurance are prohibitive for most contingent and other low-wage workers. Tax policy is also stacked against the contingent worker. Tax laws permit employers to exclude certain classes of workers from their company health care plans and, not surprisingly, contingent workers get excluded most often. In addition, employers can fully deduct the cost of health care premiums. The self-employed, on the other hand, can deduct only 25 percent of the cost of their insurance. Working families can only deduct medical costs if their expenses exceed a certain level—which keeps rising—so that, in practical terms, low-income working families get no tax breaks for their health care costs. And contingent workers are ineligible for most public health insurance programs like Medicaid. One of the few attempts by Congress to fill in the gaps in employee health coverage by offering extended coverage to laid-off workers excludes part-time workers from coverage. As a result, the vast majority of part-time and contingent workers simply go without health insurance.

Happily, the question of universal health care is back on the table, and even the administration has proposed remedying some of the inequities. One way to evaluate the proposals currently flooding Congress is to examine how each one treats contingent workers.

For instance, mandating employers to provide health benefits may only induce employers to create more worker categories to avoid their obligations to this workforce. It provides some protection for part-time workers (meeting a minimum work-hours

requirement), but overlooks workers who are deliberately misclassified as short-term hires, temporary employees, or independent contractors. A better approach would be to sever the workplace tie entirely, and opt for a more inclusive system that provides equal access to health care conditioned by residence or citizenship and not by relationship to a particular employer.

Vanishing Pensions

Contingent workers are also the have-nots in the U.S. public and private pension systems. Only one in six part-time workers is covered under an employer's pension plan compared with one in two full-time workers. And where part-timers are covered, their shorter job stays virtually ensure they will not be able to vest their pensions, get back their contributions, or carry their pension credits with them to another job. Public policy often sanctions this discrimination. For instance, federal law allows companies to exclude from their pension plans workers employed fewer than twenty hours a week or 1,000 hours a year, or workers who fall into certain work classifications including part-time and temporary employment.

Pension reform in the 1980s did strengthen benefits for temporary and leased employees by requiring employers who hire these workers for more than a year to include them in company pension plans. Current proposals, however, would take back some of these protections.

Once a contingent worker gets over the hurdle of pension coverage, she or he must confront policies that make it difficult to vest in a pension plan or carry pension credits over to a new job. Most workers stay on the job for less than five years, while the job stays of part-time workers average only three years.

Economic downturns and family responsibilities increase the likelihood that such workers will fail to vest and thus forfeit pension benefits. Congress has changed the vesting requirement from ten years to five years for companies with single-employer

pension plans and has adopted three-year vesting for many small companies.

These reforms, however, still leave many workers without a realistic chance of vesting. One solution would be to standardize vesting requirements across all employers using a more realistic measure of job tenure; an even better solution would be to make an earnings-related pension a fully portable citizenship right, as many European nations do.

Contingent workers change jobs frequently yet to date there is no federal mechanism that allows workers to carry their pension credits with them from job to job. Proposals to enact pension portability have been repeatedly rejected by Congress yet in some employment sectors, such as university teaching, professors freely move from school to school carrying their pension credits with them. This is a good model to follow in fashioning pension reform that fits the real experiences of today's workers.

As workers largely outside the "core" of regular employment, contingent workers get none of the benefits that accrue to permanent workers.

Obviously, universal pension plans offer the best protection for contingent workers. In Western Europe, national schemes of employer-sponsored pensions coexist with Social Security. In both France and Finland, special private pension plans have been developed for seasonal workers and the self-employed. During the early 1980s, Congress considered a minimum universal pension system (MUPS) that would have permitted immediate vesting and pension portability. A universal pension system would benefit contingent workers more than the current policy favorite, Individualized Retirement Accounts (IRAs), which rely solely on

workers' contributions. Any new proposals for a MUPS-type system must include protections for part-time workers—a group left out of earlier proposals.

When contingent workers cannot get pensions it increases their dependence upon Social Security—a system designed to supplement, not supplant, other retirement

Policy makers must begin to challenge management's version of flexibility and create the kind of flexibility workers genuinely need.

income. The varying work schedules of part-time and other low-wage workers bring lower earnings and thus lower Social Security benefits. Family members who reduce their number of paid work hours to care for children or sick relatives end up with fewer Social Security credits and lower benefits in contrast to care-givers in other advanced economies, such as England, who receive Social Security credits for their work at home. Similarly, persons who are laid off or forced into a contingent work schedule suffer losses in Social Security credits during their time away from the labor force.

When the economy is unable to provide workers who need full-time jobs with adequate work, or when women reduce their paid work time to resolve work-family conflicts that are ignored in the workplace, these same workers should not be condemned to poverty in old age. Such workers could be granted Social Security credits for their reduced participation in the work force as a way to boost retirement income and curb old-age poverty earnings.

Outside the Unemployment Insurance System

If you work part-time and lose your job, don't expect to get unemployment insurance (UI) benefits. States' eligibility

standards and employer practices effectively eliminate most contingent workers. Some categories of workers, including the self-employed, independent contractors, and casual or seasonal workers, are excluded outright. In addition, an unemployed worker must meet a minimum earnings test to qualify for benefits. But in half the states, the average part-time worker does not earn enough to pass the test. In recent years, to save money, several states have tightened UI eligibility standards, a move that has hurt part-time and low-wage workers the most.

Unemployment insurance policies that disadvantage contingent workers are another reflection of the archetype of full-time, permanent employment. They can also reflect the gender discrimination built into the unemployment compensation system. For example, if you regularly work full time but your employer cuts your hours in half, you and your dependents can still receive benefits for the work hours you have lost. However, if you choose to work part time to accommodate family care responsibilities, you are likely to be considered "not available" for work and you will lose your benefits.

Ironically, a woman who forgoes paid employment to care for family members is more likely to receive a "dependent allowance" as the wife of a laid-off husband than as an unemployed worker looking for a part-time work job. Such inequities have produced a profile of the insured unemployed that is grossly out of sync with the real unemployed. Policy makers could help by fashioning a federal standard for UI eligibility that strengthens the ties among contingent workers, employers, and the state and respects the changing work lives of family care-givers.

Parents who seek part-time work hours to care for children are no less deserving of unemployment insurance benefits when they lose their part-time jobs than a full-time worker forced to work part-time as a result of economic conditions. Policy makers should also consider how the

method of unemployment insurance financing encourages employers to misclassify employees and manipulate work hours. Employers pay a tax based on how many "regular" employees are laid off and workers who are not defined as "regular"—such as contingent workers—escape these counts. Western European countries have addressed this problem by guaranteeing to all workers a minimum UI benefit guaranteed augmented by a privately financed scheme.

Better Jobs

As workers largely outside the "core" of regular employment, contingent workers get none of the benefits that accrue to permanent workers, including most rights based on seniority. Contingent workers seldom enjoy the right to bid for a full-time job. As a result, the contingent strategy reinforces the invisible barriers between what economists call the primary and secondary labor market. And it reinforces gender and race divisions at work by preventing these workers from moving into better jobs. For example, employers can avoid compliance with federal equal employment opportunity laws by reducing their core or "regular" workforce to just below the legal trigger for affirmative action and hiring contingent workers—whom they are not obliged to protect—to pick up the slack.

The growth of contingent work signals declining employer commitment to career development. Internal labor markets, which provided avenues to career advancement in the large firm, have contracted in the wake of corporate downsizing and are practically nonexistent in the smaller firm. And public employment and training programs, like the federal Jobs Training Partnership Act, constrained by shrinking budgets and eligibility rules that exclude working persons, are unlikely to fill the void.

In the short run, the contingent work strategy saves business money, but over the long term, workers who are unfamiliar with company practices and products, have no loyalty to the firm, and leave as soon as

they can find a better job, undermine efficiency and drag down productivity.

Who Speaks for the Contingent Work Force?

Labor unions remain the most effective tool for curbing the worst abuses of contingent employment. Unions do this both by representing workers, and by serving as a political constituency for higher-quality jobs generally. However, rotating work schedules and shifting job sites make it difficult to organize the contingent work force. At the same time, U.S. labor law, by ignoring changing employer practices, has hindered the ability of labor unions to represent part-time and temporary workers. Consequently, only 8 percent of part-time workers belong to labor unions compared with nearly 22 percent of full-time workers. And even unionization of full-time workers is decreasing.

Contingent workers are more likely to be organized in workplaces where less than full-time work or irregular work is the norm and in industries where labor unions have traditionally been strong such as the building trades, entertainment, and retail food. In the manufacturing sector, unions have been successful in restricting or prohibiting the use of part-time and contingent employees. In the public sector, unions representing service workers have successfully bargained for restrictions on the use of part-time and contingent labor, hourly pay parity, seniority rights, pro-rated and full benefits, and opportunities for more permanent employment.

Organizing drives to represent contingent workers in non-union shops have been more difficult. In fact, many employers have used the contingent work strategy to undercut union organizing drives or to exact concessions during contract negotiations. Much of this difficulty derives from the complex employee classification schemes employers develop to thwart union organizing efforts as well as the failure of labor law to protect contract workers.

The National Labor Relations Board

(NLRB) plays the major role in determining "appropriate bargaining units" and has been inconsistent in deciding whether contingent workers should vote along with full-time workers in union elections. Under the original National Labor Relations Act (Wagner Act), the NLRB was instructed to determine bargaining units according to "employees' preferences." However, later reforms under the more business-friendly Taft-Hartley Act outlawed this practice.

Another stumbling block to representing contingent workers, especially contract workers, is the increasingly complex nature of the employment relationship today. Workers often have more than one supervisor. Taft-Hartley's ban on secondary boycotts makes it difficult for sub-contracted employees, such as janitors or food service workers, to protest collectively the practices of the leasing employer.

The Wagner Act guaranteed to workers the right to collective bargaining. Yet the failure of labor law to keep up with changes in the employment contract challenges the very foundations of collective bargaining in the United States. The public sector, with its own set of labor laws and with less vehement opposition to unions, provides a more congenial environment for organizing contingent workers.

In reforming labor law, policy makers should also examine how the NLRA regulates external labor markets operating in such industries as construction and entertainment. In these sectors, unionized workers, like contingent workers, work intermittently and are often not attached to a particular employer yet the NLRA preserves their right to collective bargaining.

The decline in union representation in the U.S. and the difficulty in organizing part-time and contingent workers suggest the need for new strategies to ensure their representation. One approach would be to introduce works councils or workers committees into the U.S. workplace. Works councils operate in Canada and parts of

Western Europe, playing a role in a variety of workplace decisions involving occupational safety and health, layoffs, and technological change and often pave the way for union representation.

Works councils also serve as a permanent constituency for a definition of jobs that is more friendly to workers. One proposal in this spirit would amend the Occupational Health and Safety Act to require a selection of a safety steward to monitor the health and safety of all workers. Labor law reform could include similar forms of representation on workplace issues beyond health and safety, including the determination of work hours and job contracts.

Policy Directions

Policy makers must begin to challenge management's version of flexibility and create the kind of flexibility workers genuinely need. Involuntary part-time jobs, long-term temporary assignments, and the growing numbers of women in two part-time jobs are poor options for people who need and want full-time work. And for men and women who choose to work less than full-time—to raise children, go to school, or semi-retire—society needs part-time jobs that dignify workers instead of penalizing them. We also need public and private policies designed to combat the gender and race basis of many of these inequities.

Reform should take place on three fronts. First, there are work-specific issues, such as how to shift contingent workers into regular employment, or how to boost hourly pay. These goals require reforms specifically targeted to changing the rules of the workplace. Second, there are structural concerns, such as how to generate more full-time jobs or how to meet the short-term hiring needs of employers. Those issues demand broader economic reforms such as shortening the work week, or creating publicly owned employment services that hire out temporary workers while ensuring these workers adequate pay, hours, and benefits.

And finally, there are social welfare issues, such as health care, pension coverage, unemployment insurance, sick leave, vacations, and family leave that do not require employer-specific solutions. Most advanced democracies regard these benefits as universal rights rather than as privileges of employment. If we continue to view the employer as the key provider of social welfare, we run the risk of creating incentives for employers to marginalize more workers, and of generating policy solutions that perpetuate rather than ameliorate this marginalization—and then hand the bill to U.S. taxpayers.

The proposed Family and Medical Leave Act, which was vetoed last year by President Bush, is a case in point. In Western Europe, subsidized family leaves are available to all workers—regardless of regular work hours—through the Unemployment Compensation system.

In the U.S., by contrast, this reform legislation has been tied to private employers. Consequently, the debate has focused upon restricting the number of workers considered eligible for a family or medical leave in order to garner business's support. An amendment to the latest bill approved by Congress raised the minimum work requirement from twenty hours to twenty-five hours per week, a cut-off point that effectively excludes most part-time workers from coverage. Benefits such as family and medical leave, health care, pension coverage, and unemployment insurance are basic needs that, at a minimum, should not be exposed to the pressures of the marketplace or the whims of an employer. Rather, they must be protected as social guarantees critical to the growth of a healthy economy.

While western European policies vary, these basic social provisions are largely ex-

tended as rights, rather than a privilege of employment. That reality has cushioned the impact of economic restructuring in western Europe, and thus facilitated it. Similarly, policies implemented at the national level in the U.S., particularly universal health insurance, pension portability, and wage parity, can act as buffers against a volatile economy and ensure that "flexibility" in the marketplace benefits workers as well as managers.

An administration committed to restoring a labor market made up primarily of good, "core" jobs and lifelong career ladders would have to proceed on multiple fronts. These include shifting job-related fringe benefits to citizenship entitlements; insisting on either broader pension coverage through social insurance or full pension portability; and regulating the conditions of part-time work to require the same wages and benefits as comparable full-time work.

Finally, and perhaps most important, the contribution of the labor movement toward defending and improving the quality of working life must be reinforced. Unions offer the best private remedy for bringing equity to part-time and other contingent workers. Labor law reform, including reinstating workers preferences to determine the scope of a bargaining unit, allowing greater rights for contract workers, as well as restoring the effective right to unionize in the first place, can open up opportunities for unions to represent contingent workers. Workplace committees, in union and non-union shops, would also increase employee bargaining power over work schedules and job design. As a nation, we need to give far higher priority to this reclamation of tens of millions of marginal jobs. At issue is not just the well-being of workers, but the productivity of society. ♦

Rehnquist's Road to Serfdom

The Ominous Message of *Rust v. Sullivan*

Wendy E. Parmet and Mary E. O'Connell

Americans have a profound ambivalence about interdependence and reliance on government. Our deepest national myths celebrate self-reliance, yet most of us are more collectively reliant than our mythology admits. We disguise our dependence and rationalize our ambivalence through a two-class system of social entitlement. Under this system, the virtuous self-reliant majority enjoys government benefits as a matter of earned right, while the unworthy minority, the charity cases, must endure the indignities of the dole.

From time to time, a Supreme Court case provides a prism that reveals the distortions in the conventional image. Last May's decision in *Rust v. Sullivan* was such a case. While its text reaffirmed the myth, in the context of abortion and access to health care, its subtext reveals complex inter-

connections between access and rights, autonomy and dependence.

The *Rust* opinion affirmed the legality of a Reagan-era Department of Health and Human Services regulation barring all discussion of abortion in federally funded family planning clinics, which serve mainly the poor. Rejecting several challenges to this gag rule, Chief Justice William Rehnquist held for a 5-4 majority that the 1988 regulation forbidding discussions of abortion was consistent with the purposes of Title X of the Public Health Services Act of 1971, which finances such clinics. Turning to the constitutional claims of the case, the Chief Justice held that by enforcing the gag rule, the "government is not denying a benefit to anyone, but is instead simply insisting that public funds be spent for the purposes for which they were authorized." That these purposes might be limited, and might severely constrain the choices of the clinic's clients, did not matter. In effect, poor people

who depend on publicly financed clinics have fewer rights than those who do not.

Congressional reaction to *Rust* was swift. Majorities in both houses voted to reject the Court's conclusion that Congress had meant to authorize a gag rule. Congress also concluded that the rule would jeopardize the health of many women and would unduly constrain medical practice. But the attempt to reverse *Rust* and rein in the Department of Health and Human Services (HHS) failed. President Bush vetoed the legislation and an override attempt in the House fell twelve votes short. Thus, despite disapproval by overwhelming majorities in both houses of Congress, this gag rule stands.

Rust and the gag rule have far-reaching effects, for the case implicates not just abortion rights but also freedom of speech, access to health care, physician authority, the rights of the poor, and the balance of power between Congress and the President. It is a window into our nation's uneasy and even

perverse relationship with its own welfare state. *Rust* is about what is public and what is private, what is a gratuity and what is earned. It is about the power of government to condition gratuities in ways that would not be countenanced if those gratuities were redefined as rights. It is about the pervasiveness of our dependence on government, and the depth of our fear of that dependency. And it is about the powerful but incoherent distinctions that hide that dependency even from ourselves.

Rusted Rights

Purely as constitutional doctrine, *Rust* is troubling enough. In *Rust*, five members of the Court were willing to sacrifice freedom of expression to the formalistic claim that when government pays for a service it can dictate what is said in the course of that service. Furthermore, in deciding *Rust*, the Court took another step toward unraveling *Roe v. Wade*. As all who have followed that case and its progeny know, the Court has long insisted that a woman's right to be free of government interference in deciding whether to have an abortion does not imply a right to have government subsidize that procedure. But *Rust* marks the first time that five justices of the Court have countenanced government's attempt to deprive pregnant women of factually correct and medically necessary information about abortion.

In undermining abortion and free speech rights, *Rust* relies upon a simple, but faulty, premise. According to Chief Justice Rehnquist, the government is not constricting rights even when it limits what may be discussed in federally funded clinics. In fact, he insists, the government is actually expanding the choices available to poor pregnant women by providing them with federally subsidized clinics that offer some counseling and medi-

cal advice. That not every procedure legally available can be discussed in these clinics does not, according to Rehnquist, change the fact that clients receive more, not less, than they would have received in the absence of the program. Although a poor diabetic may never learn that abortion may be advisable in her case, this, says Rehnquist, is a problem of poverty and ill health, not of the administration's rule. After all, she had no right to a clinic in the first place.

Rehnquist's logic proceeds from the premise that if government can choose not to give at all, it can surely choose to give half a loaf, and the recipient is none the worse off. In fact, Rehnquist implies that the patient should assume that her doctor might withhold information relevant to her medical condition. He writes: "Nor is the doctor-patient relationship ... sufficiently all-encompassing so as to justify an expectation on the part of the patient of comprehensive medical advice. ... [A] doctor's silence with regard to abortion cannot



reasonably be thought to mislead a client into thinking that the doctor does not consider abortion an appropriate option for her."

In his dissent, Justice Harry A. Blackmun, Jr. (joined by Justices Thurgood Marshall and John Paul Stevens) provides a

*The Rehnquist Court says
citizens dependent upon
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Only what is private is
secure.*

different vision of the doctor-patient relationship, one in which the patient "has every reason to expect, as do we all, that her physician will not withhold relevant information regarding the very purpose of her visit." Under this view, the gag rule's effects are pernicious. Having just been given a physical examination and a counseling session without being told of the abortion option, the patient might well believe that she has no particular need to consider terminating her pregnancy. This belief might lull her into failing to seek the "advice ... beyond the scope of the program" which Rehnquist assures us is available.

Gratuitous Distinctions

Restricting free speech by mandating incomplete or misleading medical information is, however, only the most visible danger posed by *Rust*. More ominously, the Rehnquist Court's view of the doctor-patient relationship is a microcosm of its vision of the individual's relation to the state. The Court asserts that the laissez-faire state is the norm and a citizen's most fundamental right vis-a-vis the state is the right to be left alone. To the Court, virtually every government service is gratuitous, even those that are critical to human welfare and affect constitutionally protected activities. In doling out gratuities, government may impose conditions even on speech.

Under this view, *Rust* is a cautionary tale: those who take from government take only that which government chooses to provide. If a service is limited or burdened with conditions, it is still, according to *Rust*, more than the recipient has any right to expect. In short, citizens dependent upon government cannot be free. The price of the welfare state is individual freedom. Only what is private is secure.

But if this is *Rust's* reality, can the warning in fact be heeded? Could the women dependent on federally funded clinics be entirely self-reliant if they earned more money? Contrasting the Court's normative image of the state to the reality of America in the 1990s, it is fair to say that none of us is entirely self-sufficient. Like the indigent clients of Title X clinics, we are all recipients of government subsidies.

This is most pointedly—though by no means exclusively—the case with respect to health care. It is an American truism that health care is provided largely through the private sector. Unlike every other industrialized nation (except South Africa), we lack universal health insurance. This is understood to mean that our health care system is not dependent upon government support. President Bush lauded this supposed freedom from dependency on government and its enhancement of individual choice last February when he called for incremental reform rather than nationalization of health care insurance.

But President Bush's insistence that our present health care system is private is clearly wrong. The most obvious proof is Medicare, the source of health benefits for thirty-three million Americans. Like Social Security retirement, Medicare is propagandized as an insurance system, and its recipients are dignified with the title "beneficiaries," suggesting an image of purchase in the free marketplace. The reality is that Medicare is a public welfare program, financed by a payroll tax, and subsidized by general revenues. Approximately 20 percent of the Social Security

payroll tax collected from working men and women is transferred to those eligible for Medicare. The eligible include some who have never made any contribution to the Medicare trust fund, as well as many who made relatively insignificant contributions in the later years of their working lives.

Nor are the elderly the only recipients of governmental health subsidies. The Internal Revenue Code confers this status on most of the rest of us. The code, in ways both intricate and, often, nearly invisible, subsidizes those of us who would never describe ourselves as dependent upon government largesse.

Seventy-six percent of the population receives health benefits through so-called private insurance, and the vast bulk of this is provided through employment-based group health insurance plans. The premiums for such plans are, in large measure, paid by employers as a part of employee compensation. The federal government subsidizes this payment by not treating it as income. The resulting loss of revenue is staggering. The 1992 budget of the United States estimates the loss at \$33 billion. Nothing in logic or in the Constitution requires this treatment.

From the individual's perspective, if one assumes that the employer's share of a typical health insurance package is \$2,000 per year, then, without the tax break, an employee who pays a marginal tax rate of 28 percent would owe \$560 in taxes as a result of receiving the insurance. The fact that the employee does not have to pay those taxes means that he or she is \$560 richer, while the government is \$560 poorer. As a result, the government must either cut programs, raise the money elsewhere, or add the \$560 to the national debt. The health care tax credits and deductions which the Bush administration has proposed in order to expand access to this "private" system will add billions to that public debt.

There are many examples of pervasive government dependency outside the health care system as well. The home

mortgage interest deduction exempts from taxation the dollars spent to pay the interest charges on home mortgages. Its rationale is political rather than logical. If the deduction were suddenly abolished, many American homeowners could not afford to make their payments and to pay tax on the interest dollars as well. If they lost the tax break, they would lose the house.

Other examples of such government "gratuities" could be given, but they seemingly take us far afield from *Rust v. Sullivan*. *Rust* is about the funding and regulation of Title X family planning clinics. Medicare is a form of social insurance; the treatment of home mortgage interest reflects tax policy. But the differences among these programs amount to bookkeeping, not substance. The tax-free health benefits of employees with work-related health insurance and the tax break for home mortgage interest are, in essence, the Title X funds of the middle class.

Here, then, is the deeper threat of *Rust*. Although Congress endeavored to overturn the gag rule, the legislators did not clarify the limits of the government's power to impose such constraints. Congress did not say that government grants may never be coupled with gag rules, either in connection with Title X clinics or in connection with other funded activities. The Court, by contrast, has stated explicitly that such restrictions may be permissible. Given the pervasiveness of governmental gratuities, the logical implications of *Rust* are far-reaching indeed.

For example, hospitals, which already bear significant obligations under the Medicare program, might be told that if they "choose" to accept Medicare funding, they subject themselves to new conditions. They might be required to test all patients, even outpatients, for HIV infection. Similarly, hospitals might be required to insist on consent to organ donation as a condition of admission. Or, moving closer to *Rust*, hospitals might be barred from performing or even mentioning abortions. Fol-

lowing *Rust*, the Court would likely uphold such policies, reasoning that the hospital does not have to accept Medicare funding. If a hospital decides to take government funds, it must take and spend them in the way the government requires. Indeed, just such reasoning was accepted by the Court in 1989, in *Webster v. Reproductive Health Services*, when it upheld Missouri's ban on even privately funded abortions in all public facilities. In language similar to that employed in *Rust*, Rehnquist argued that "Missouri's refusal to allow public employees to perform abortions in public hospitals leaves a pregnant woman with the same choices as if the state had chosen not to operate any hospitals at all." Similar reasoning could well apply to Medicare. After all, Medicare's refusal to subsidize hospitals performing abortions would leave pregnant women no worse off than if Medicare did not exist.

In *Rust*, Rehnquist noted that the gag rule left clinics free to provide abortion counseling as long as they completely segregated that service from those services receiving the federal subsidy. Therefore, Rehnquist argued, the gag rule conditioned only the counseling directly funded by Title X, not a family planning clinic's other activities.

But that illusory distinction cannot explain *Webster*. There the Court found that Missouri could ban abortions in facilities receiving public support even if the facilities received absolutely no state subsidy for abortions. In other words, Missouri conditioned more than the particular subsidized service. It conditioned other acts of the hospitals, as well.

Given this reasoning, what might occur if Congress were moved to redefine the goals of Medicare, or if an agency of a conservative administration were to reinterpret Congressional intent in narrow and burdensome ways? Congress—or HHS—could, by legislation or regulation, redefine Medicare's purpose as subsidizing the financial viability of hospitals with pro-childbirth policies. With this reformulation of Medicare, the government could easily

deny subsidies to hospitals that perform even privately funded abortions. As a result, few if any general hospitals would perform abortions—which is in fact the present situation in Missouri.

The threat of *Rust* also extends to non-medical subsidies. The home mortgage deduction could be redefined as a subsidy of family values, enabling Americans to own homes where they can rear their children. Consistent with this goal, the subsidy would be unavailable to unmarried parents or those without children.

These examples seem, we suspect, far-fetched—but they flow directly from the reasoning in *Rust*. While attaching onerous conditions to the "earned" social insurance of the middle class seems unlikely, this has nothing to do with the logic of *Rust* and everything to do with its unarticulated premises. The logic of *Rust* places all who accept government subsidies—that is, all American citizens—at risk. Consistent with *Rust*, we could all be required to give up our subsidies or to accept conditions attaching to them which directly constrain our freedoms of speech, choice, and action.

Another Word for Nothing Left to Lose

If most of us are safe from the threats that rumble through the *Rust* opinion, our safety reflects an ideological rather than a logical distinction, and the security of social class rather than citizenship. It stems not from any substantive difference between the protected and the unprotected, but from a critical and deceptive difference in labels.

For at least half a century, we have imposed a powerful but artificial dichotomy on a substantial portion of government subsidies. We label some subsidies—but only some—"earned." This label carries with it a connotation of right rather than privilege, of entitlement rather than charity, of purchase and not gratuity. *Rust* reinforces this dichotomy; it expands the government's power to condition the scope of a service that the recipients presumably have not earned.

What might happen, however, if the federal government proposed new and restrictive conditions on the earned side of the benefit dichotomy, as, for example, on Social Security retirement? Given that Congress can legally disband Social Security altogether, would we readily conclude that in conditioning it Congress was still giving more and not less? One suspects that the outcry would be louder than the response to *Rust*, and would involve a more affluent and far more politically influential portion of the electorate. Furthermore, the rhetoric of that outcry would, in large measure, be the rhetoric of earned right.

It is no accident that Social Security, Medicare, and the tax code employ terminology quite different from that used in connection with programs like Title X. The vocabulary of social insurance, to use the examples of Social Security and Medicare, animates the ideology of earned right. Social Security recipients are portrayed as contributors who, when they become beneficiaries, are merely taking out of the system monies which, in their earlier years, they put in.

Actuarial evidence that many recipients receive their contributions, plus interest, six times over, and more, has done nothing to undermine the ethos of earned right. Very different terminology would be applied to a woman who earned an income and paid taxes over many years, was abandoned by her husband with several small children in her care, and applied for AFDC. No one is likely to argue that she is merely taking out, in a time of need, part of what she put by in happier times. Logic would support this description, but the rhetoric of earned right is apt to label her a welfare cheat.

It is the rhetorical dichotomy between earned rights and government handouts that serves to protect most of us from the implications of *Rust*. There is no reason why Congress could not condition the subsidies of the middle class in ways similar to the constraints in *Rust*. Nor, after *Rust*, is there significant protection from an administration's use of broad, ambiguous

grants of power to condition middle class benefits. But if most of us are not worried—if the prospect seems remote—that in itself is telling, and the tale it tells bears examination.

Why, after all, has this false dichotomy come to be? What function does it serve to sort government subsidies into two mutually exclusive categories, and to attach such significance to the distinction?

The ideology of the earned right thus allows us to have a welfare state while denying we have one.

The dichotomy, it seems to us, serves more than one function. First, it separates the worthy from the unworthy. In a society that purports to value and reward individual effort, it becomes important to segregate and to stigmatize benefits that are not deemed the result of effort. So, some benefits, such as subsidies for retirement or medical care for the aged, are described as a mere return of earlier contributions. That this claim cannot be defended in accounting terms is ignored. The benefit seems earned, so it seems right.

By contrast, recipients of gratuities are entered on the "not-earning" side of the ledger. This critical classification reinforces the stereotype of the promiscuous, irresponsible drone, who bears children she cannot afford and contributes nothing to society. Government may, out of compassion, provide something for this woman and her children, but it is seen as a gift neither earned nor deserved.

This familiar explanation of the rhetoric of earned right separates the deserving from the undeserving. But the rhetoric has a more subtle function as well. This artificial dichotomy insulates all of us from a recognition of the depth of our own dependence on government and the necessity of the welfare state. In truth, we depend on

government to finance our homes, to underwrite our health care, to educate our children, to provide for our support in our later years. But we do not conceptualize this as dependence on government. We perceive many subsidies that government provides either as private (such as nontaxable employer provided health insurance) or as earned (such as Social Security retirement). We presume we have purchased these rights with our labor—either current or past—and we conduct ourselves as owners, as free persons, not government clients.

On a purely pragmatic level, if we ignore its illogical nature and its harsh treatment of the poor, this system almost works. In good times, at least, most Americans have paying jobs. They participate in the earned right sphere of government distribution. In this sphere, they may have limited material wealth, but they have the dignity and satisfaction of self-reliance. They conform to a cherished, if fraudulent, national image of autonomy. That one can accept Social Security retirement benefits and Medicare, perform no labor, and consider oneself autonomous is surely a tribute to the rhetorical power of earned right.

The ideology of earned right thus allows us to have a welfare state while denying that we have one. But by obtaining many of the necessary benefits of a welfare state without acknowledging its existence, we avoid having to confront and resolve the ultimate dilemma *Rust* poses: how can individual freedom be maintained if interdependency is acknowledged? *Rust* warns that the two cannot co-exist; the moral of *Rust* is that we must avoid dependency if we are to maintain our freedom.

But in the end, the authoritarianism implicitly sanctioned in *Rust* is not the inevitable concomitant of dependency. It is rather the byproduct of the Court's unreal embrace of *laissez faire*. Pretending, as the Court does in *Rust*, that only those dependent on government face threats to their freedom obscures the universality of the

conflict. The problems of freedom and interdependency run deeper and wider than the *Rust* Court or current political debate dares acknowledge. In fact, whether we call our benefits earned or unearned—whether we rely on AFDC or the subsidies in the Internal Revenue Code—we all depend on government as surely as do the clients of Title X. None of us can escape to Justice Rehnquist's idyllic state of nature. If freedom only resides there, as the *Rust* Court suggests, then none of us can be free.

Rust insists that freedom and dependency are joined in an inverse relationship, where one can only increase as the other decreases. That freedom and dependence are related is clear enough—but the *Rust* Court has the relationship backwards. Interdependence need not threaten freedom; it may secure it. Indeed, it is those government programs with the largest number of recipients—those that come closest to being universal—which are most strongly supported by public opinion and most fiercely defended from government meddling. Though the courts and the Congress are free under *Rust* to treat citizens callously and cavalierly even in broad middle class programs, in practice the broader the program, the lower the risk.

The moral of *Rust*, then, may be very different from what its author intended. The path to safeguarding our freedom seems to lead toward a greater recognition—indeed, a welcoming—of interdependence as freedom's ally. The task *Rust* sets is not to wall ourselves off in a bunker of private right, but to clear away the ideological obstacles that portray government subsidies as a threat to free choice or an infringement to liberty. *Rust* suggests a chilling paradox—that all of us need government and none of us is safe from it. Only when we confront that paradox can we develop a real solution to the challenge of interdependency, one that accepts neither the unrestrained authority nor the unreal libertarianism that form the two poles of *Rust*. ♦

The Myth of a Savings Shortage

Fred Block and Robert Heilbroner

The United States is being held hostage by a dubious statistic and a serious misapprehension. The statistic shows that household saving in the U.S. economy dropped precipitously during the 1980s. The serious misapprehension is that this drop has impaired economic growth and that the economy cannot revive until the savings rate increases. In the standard view, without savings there can be no investment, and without investment, no growth—whence comes the deceptively simple but misleading idea that the path to recovery lies in a revival of household savings.

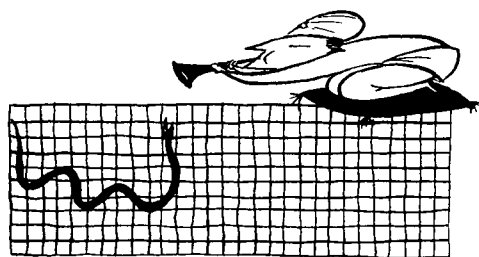
The drop in household saving over the past decade reported by the Commerce Department is certainly dramatic. From 7.5 percent of disposable personal income in 1981, saving fell to only 2.9 percent in 1987, the lowest ever recorded. Since then the rate has moved up to just over 4 percent.

Household saving by no means comprises total national saving. It is dwarfed by corporate saving (profits plus depreciation), which is some five times as large. Corporate saving shows no downward trend; it amounted to 12.8 percent of gross national product (GNP) in 1981 and 12.4 percent in 1988.

The savings rate is also often said, mistakenly, to be affected by the “drain” of government deficits on private savings. However, the failure of government accounting to differentiate government investment from government consumption makes it impossible to know whether public deficits are using private savings to finance consumption or investment. Other advanced nations manage to combine public-sector deficits of 3 or 4 percent of

GNP with ample private savings rates. Thus, with corporate saving steady, the real debate over saving rates in the U.S. goes back to whether household saving is down.

Household saving has also received special attention because its reported decline is taken as evidence that Americans are failing in their personal responsibility for pros-



perity. Indeed, the drop from 7.5 percent to 2.9 percent of disposable personal income does suggest an alarming decline in our collective provision for the future.

But is this decline to be believed? The answer depends entirely on how we calculate it. The Department of Commerce, which prepares the National Income and Product Accounts that are the official books of the economy, does not directly measure how much the nation saves. Instead, it calculates saving in two steps. First, it measures “disposable personal income,” which is total household income minus tax payments. Then it subtracts “personal outlays,” a measure of household spending on consumption that includes all personal goods and services, except houses, which are counted as investment. The difference between disposable personal income and personal outlays is, in this approach, what households save. For the second half of

1991, for example, disposable personal income ran at an annual rate of \$4.068 trillion and personal outlays at \$3.898 trillion. Personal saving was the difference, or \$170 billion. This figure, divided by disposable income, yields our "personal" saving rate of 4.2 percent.

While there is nothing inherently wrong with measuring saving this way, it has one serious drawback. Because saving is the rather small difference between two large numbers, small proportional changes in the larger numbers greatly affect the result. For example, if total income for 1991 was underestimated by 4 percent, while estimates of consumption spending were accurate, savings would jump from \$170 billion to \$332 billion, and the saving rate from 4.2 percent to 7.8 percent, right up there in the big leagues. In our view, this is exactly what happened in the 1980s; indeed, the Commerce Department underestimated income by much more than 4 percent. When we take that error into account, the much touted decline in the saving rate disappears.

The Capital Omission

We need to make three adjustments to the Commerce Department figures to bring them in closer touch with economic realities. The first is a proper accounting of capital gains.

Disposable personal income, as the Commerce Department measures it, currently does not include the capital gains that come to individuals when they sell stocks or other assets. There has been a long debate as to whether or not these gains are properly considered income, since they do not reflect any earnings from additional output but only changes in prices. We do not need to challenge the Commerce Department's definitions, which seek to portray the real changes in the economy. But in calculating the financial surplus available for investment, it is clearly a mistake to omit capital gains. Not only are capital gains a source of much business financing; during the 1980s, they reached unprecedented levels.

A look back to 1970 makes the point.

Capital gains that year amounted to \$21.3 billion, or 3 percent of disposable income. In the 1980s, they grew explosively, from \$70.8 billion in 1980 to a peak of \$295.8 billion, or 9.8 percent of disposable income, in 1986. The 1986 level was exceptionally high because the tax reforms adopted that year led investors to take capital gains while they still enjoyed lower tax rates. Yet even the 1987 and 1988 levels of capital gains were high by historical standards.

No plausible measure of the national saving rate should ignore this immense addition to the financial investment power of households, or more accurately, of those households at the apex of the income pyramid. Moreover, these figures are conservative because they omit another \$60 billion to \$80 billion a year of capital gains income that did not have to be reported to the Internal Revenue Service, including most gains on sales of owner-occupied homes.

For some economists, the idea of including realized capital gains in household income is heretical. However, dollars earned by households from asset sales do not disappear just because the national income accounts exclude them from income. Moreover, the accounts do treat as income all capital gains earned on assets held for less than six months, while omitting gains on assets held longer. This exclusion becomes a problem in the measurement of savings when long-term capital gains increase as a proportion of personal income—and when the statistics fail to reflect the change.

Missing Pension Funds

A second problem arises in the treatment of net household contributions to pension funds—that is, any excess of contributions (or earnings on past contributions) over what pension funds pay out. Pension plans are a critical part of the saving story. For all but the richest 20 percent of households, most financial saving occurs through pension plans. Only the highest-income households save significant amounts by accumulating stocks, bonds, and bank accounts. And since pension assets grew rapidly

during the 1980s, there is no basis for the view that spendthrift middle-income Americans caused a savings shortfall.

In the National Income and Product Accounts, net contributions to private pension funds are counted as part of household income and therefore are figured into household saving. But when the net contributions go to state and local government pension funds or to the Social Security Trust Fund, they are not counted that way. These accounting decisions, like the classification of capital gains, do have a rationale. But, again, accounting procedures need to reflect changes in the real world. In 1975 household net contributions to state and local government pension plans amounted to only \$7 billion; they reached \$69 billion in 1988 and are still growing. A similar shift took place in Social Security contributions. Prior to 1984, net household contributions were negative; families were taking more out of the Social Security funds than they were putting into them. But in 1984, as a result of changes adopted by Congress, the flow was reversed. In 1988 a net flow of \$53 billion went from household incomes into the Treasury bonds in which Social Security Trust Funds are invested.

Should we count these very large net contributions as saving? The Department of Commerce ignores contributions to public pension funds on the grounds that they are spent to finance "deficits," not "investments," as are private pension funds. One reason why the Commerce Department makes this determination is that it fails to divide the government deficit into consumption and capital accounts. Since it does not officially recognize a category of public investment against which it could credit government pension contributions, the Commerce Department finds no alternative but to consider them as financing mere consumption, and therefore not deserving the accolade of saving.

Of course, state and local pension funds invest in the capital markets, and Social Security purchases of Treasury bonds go into the same pool as capital from private

buyers that also purchase those bonds. Yet, coming from government, these funds are counted as consumption; coming from private sources, they count as investment.

Once more the data should not ignore a remarkable change in the pool of funds for financing investment. Taken together, public net pension flows amounted to less than 1 percent of disposable income in 1980. By 1988 they had more than tripled; in that year household contributions increased government pension reserves by \$122 billions. Since we treat contributions to private pension funds as saving, it seems illogical to exclude contributions to public pension funds, especially because they increased so markedly during the years when the saving rate underwent its mysterious decline.

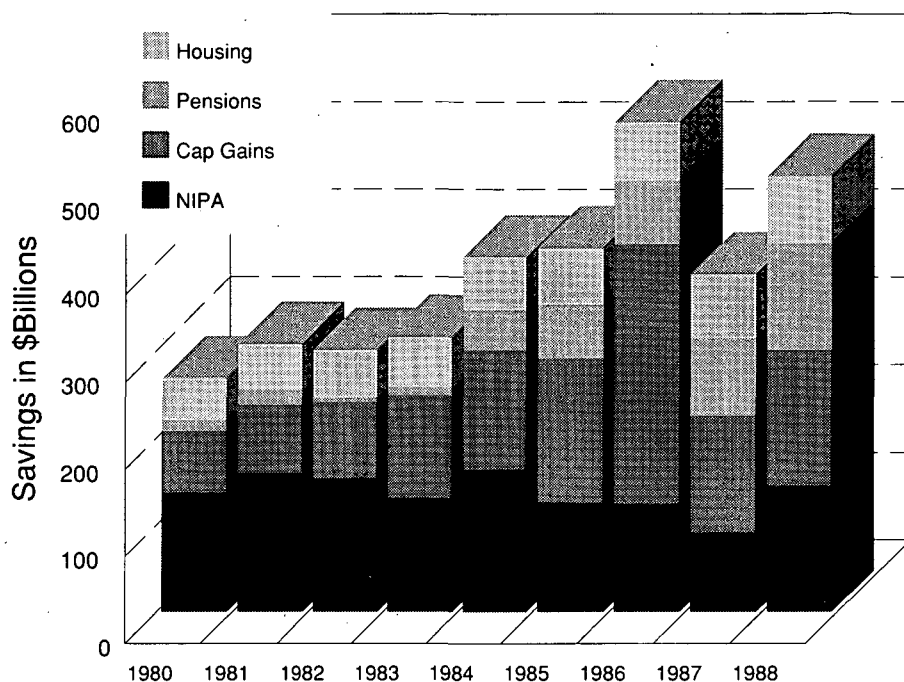
The Effect of Housing Inflation

The final source of the great saving decline arises from the official treatment of owner-occupied housing. Here the Commerce Department's division of personal outlays into consumption and investment enters into the saving controversy.

The Commerce Department calculates the amount that households allow for wear-and-tear on their housing, the personal equivalent of the set-aside that businesses take as the depreciation on their plant. This expense is then subtracted from the income that these owner-occupants enjoy as "free rent." Of course, no one we know, including our economist friends, figures annual income that way. But, as before, the important point is the effect of accounting procedures on the official measure of saving.

During the 1980s, real estate was rapidly inflating. As a result, the depreciation calculated by the Commerce Department also increased sharply. As this depreciation "expense" grew, the presumed income of these households diminished, whether or not they were aware of it.

The impact of this accounting illusion was substantial. If the imaginary depreciation charge had not been levied against household income, savings in 1988 would have been measured at \$222 billion, rather

Figure 1. Adjustments to the Commerce Department's Saving Data

Source: *Economic Report of the President, 1991*; *Statistics of Income Bulletin (IRS)*; *Survey of Current Business*, and other Department of Commerce data.

than \$145 billion, raising the saving rate from 4.2 to 6.2 percent.

Adding Up the Errors

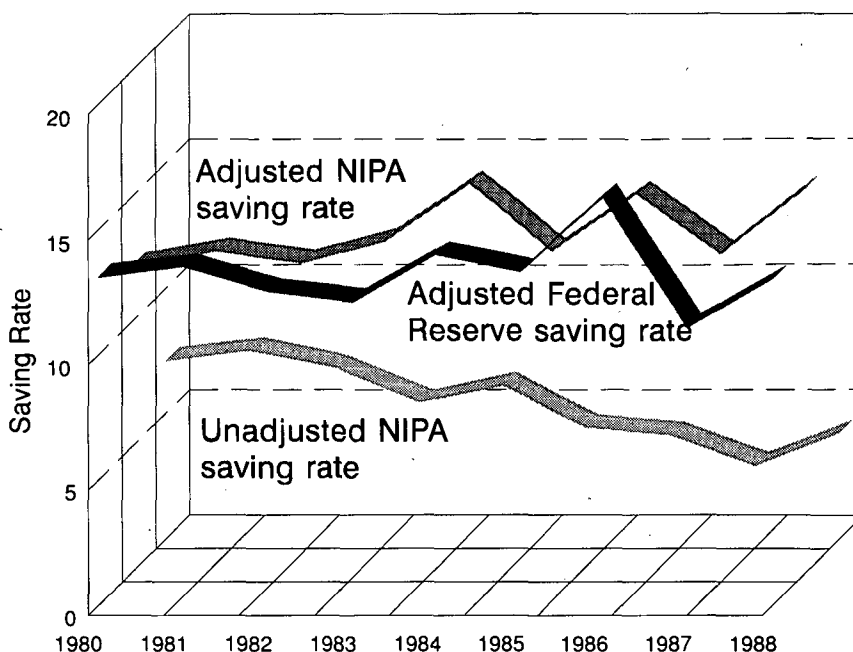
It remains only to sum up. The bars in Figure 1 show the estimates for personal saving from the Commerce Department's National Income and Product Accounts (identified as "NIPA"), along with the dollar adjustments from adding to householders' incomes the net proceeds of their capital gains ("Cap Gains"), contributions to government pension funds ("Pensions"), and depreciation expenses on their housing ("Housing"). Figure 2 shows the unadjusted and adjusted NIPA saving rates.

One major conclusion leaps out. It is the complete disappearance of any fall in our saving performance, once allowance is made for changes in the real economy whose effects did not show up in the statistics. The most important of these changes, by far, was the Wall Street frenzy that

generated the surge of capital gains, which financed perhaps half to two-thirds of all household surplus during the decade. Higher capital gains, together with the statistical side-effects of real estate inflation and growing public pension plans, created a serious gap between the measurement of saving in the national income accounts and the real-world capacity to finance investment. The official index showed a serious decline in household saving. A properly adjusted measure shows none.

Corroboration from the Fed

Another reason to prefer our adjusted measure of saving is the testimony of an entirely separate source—data compiled by the Federal Reserve Board. Unlike the Department of Commerce, the Federal Reserve measures saving not as income minus consumption, but as additions to household financial net worth, such as household bank deposits, stock and bond

Figure 2. Savings Rates, 1980-1988

Source: Same as Figure 1, and Board of Governors of the Federal Reserve System, *Balance Sheets for the U.S. Economy*, March, 1991.

portfolios, insurance policies, and the like. This approach permits us to measure net saving by the change in household net worth from year to year. (We make two adjustments: subtracting paper profits, that is, unrealized capital gains, from the value of stockholdings, and adding in assets omitted in Federal Reserve data, namely, Social Security net contributions and increases in the stock of owner-occupied housing.)

Figure 2 shows the savings rate from Federal Reserve Data along with the rates derived from the national income accounts. The main conclusion is clear. There has been no fall in personal saving. It is a statistical artifact, not an economic reality.

That saving did not fall should really be unsurprising, because the evidence was there all along, before our eyes. The purported fall in savings ill accords with trends of the last decade. As Kevin Phillips points out in *The Politics of Rich and Poor*, the top 5 percent of households, who account for a

disproportionate share of saving, saw their real income increase by 23.4 percent from 1977 to 1988. The boom in stock market prices that began in the early 1980s hardly suggests a period of financial stringency. Neither does the past decade's massive wave of office-building indicate any shortage of credit. The downward trend of interest rates—the return on a three-month Treasury bill dropped from 14 percent in 1981 to under 7 percent in 1988—does not agree with the conventional answer to the question: "What will happen to interest rates if saving dries up?"

The skeptical economist may object that rates would have risen had it not been for Japanese inflows of capital. Perhaps. But that simply changes the question from calculating the trend in saving to estimating its consequences. The availability of Japanese and other foreign capital suggests that even if there had been a fall in household saving, it would not have hurt investment because access to credit is today worldwide.

There remains one last, and perhaps most important, point. It concerns the serious misapprehension mentioned at the outset that only an increase in savings will revive the economy. This is a view of saving presumably banished by John Maynard Keynes when he published his epoch-marking *General Theory of Employment, Interest, and Money* in 1936.

Before Keynes, economists believed that savings were a hoard, like a cache of gold coins, which determined the ability of a nation to finance its capital-building operations. After Keynes, we have come to see saving in a different light—not as a hoard, but as a flow that rises and falls with the level of economic activity. This flow of saving does limit our ability to create new capital when our economy is running at full blast, for we cannot then pry loose the labor needed for additional investment unless we can release it from its current employments. We do that by saving more, which means cutting back consumption to free up resources for investment projects. Hence, saving in a fully employed economy limits what we can invest, unless we are willing to unleash an inflationary contest among enterprises to attract, or retain, their labor.

But none of this, Keynes stressed, applied to an economy that was at less than “full” employment. Throughout the 1980s, we faced no such need to constrict consumption, because a fifth of our labor force was unemployed or only partially employed, and the same portion of our manufacturing capacity was standing idle. In underemployed times, the capacity to finance additions to plant and equipment is not limited by the release of otherwise fully occupied workers, but by the willingness and ability of banks to lend. That ability, in turn, is solely determined by the Federal Reserve Board of Governors.

Thus even if the saving rate had fallen, the lending capacity of the banking system or the expandability of the system would not have been significantly impaired. But that is not what the public has heard during

recent years. Economists from both sides of the political fence have sounded the alarm in words that leave no room for uncertainty.

“It is widely recognized,” said Lawrence Summers, then an economic adviser to Michael Dukakis, “that low national saving is the most serious problem facing the U.S. economy.” Similarly, Alan Greenspan told us that “inadequate domestic savings is impairing our economic prospects for the long run. By choosing to consume more now and save less, we are limiting our ability to expand and upgrade our stock of capital.” *The New York Times*, usually no friend of President Bush, editorialized, “Give him credit for focusing on the problem: Savings are needed for investment, and thus growth.”

The lamentations would have been more to the point had they warned that our savings was as high as it was only because of capital gains and Wall Street shenanigans. But the economists and editorialists who predicted diminished growth from the disease of undersaving were saying, in effect, that our six to eight million unemployed were without jobs because households were spending too much. Recently, while wringing his hands over our failure to save enough, President Bush called on Americans to buy more cars and to take advantage of falling mortgage rates to acquire homes. This is more than a serious misapprehension. It is an absence of comprehension.

A capitalist economy in the doldrums can save as much as it wishes, but those savings, in and of themselves, will not generate the momentum that is wanting. In our view, the quickest, simplest, and most dependable way to revitalize a stagnating economy is to start up the engine of public investment, fueled with private savings. This not only uses saving for the very purpose that presumably justifies it—financing growth—but also creates more saving as the nation’s households find their real income beginning to rise again. What is scarce in America is not saving, but political leadership and economic sense. ♦

Diversity at Berkeley: Demagoguery or Demography?

Karen Paget

The director of a large California foundation once told me that his work had become easier now that his board members understood cultural diversity "as a demographic fact and not a liberal plot." His optimism was premature. In the past year a full-blown conservative reaction, exemplified by Dinesh D'Souza's *Illiberal Education*, has depicted the new claims of ethnic pluralism precisely as a liberal or radical plot. In its most mechanical form, the conservative argument pictures elite colleges as admitting unqualified students through affirmative action. These students, once there, lower standards, frustrate faculty, and develop an ideology of cultural separatism to justify their own incompetence. The demand for more representative or non-traditional curricula is one more, mostly illegitimate, offshoot of their presence on campus. Affirmative action is thus the source of a new and sinister ideology called "multiculturalism," which undermines not only higher education but also the very cohesion of America.

The tragedy of this attack is that it treats complex demographic shifts as if they were merely manufactured by ideologues. In California, New York, Texas, and elsewhere, good-faith efforts by college administrators to accommodate these shifts, often with quite dissimilar strategies, now carry a similar political burden. The further tragedy is that this attack has polarized discussion of such profoundly important and subtle questions as who shall be educated, what is worthy of study, how to con-

ceive of "merit," and how best to reconcile diversity, achievement, democracy, and nationhood.

The University of California at Berkeley is now the site of one the most diverse student bodies in the country. Berkeley may not be entirely representative of other elite universities, but it is a place where both administrators of the nine-campus University of California system and those on the Berkeley campus have taken an activist approach to managing these demographic changes.

In California, the changes are truly profound: The current (1990) configuration of nearly 30 million people is: white (69 percent); Asian (9.6 percent); Hispanic origin (25.8 percent), black (7.4 percent); American Indian (.8 percent), and other (13.2 percent). By the year 2010, no one ethnic or racial group will constitute a numerical majority. This marked shift in the composition of California's population, driven by both immigration and differential birth rates, is captured in the often used phrase that California will be the first "majority/minority state."

In 1988, for the first time, entering freshmen at Berkeley reflected the California of the future: white students were a minority (48.5 percent) of the total. The other admissions were black (7 percent); Chicano/Latino (11.1 percent); Asian (26.5 percent); American Indian (1.1 percent); and others (5.8 percent). The 1991 class reflects a further diminution of Caucasian students, now 30 percent, a slight increase in Asian

students (35 percent), and a near doubling of Hispanics (20 percent).

Admissions and Eligibility

California, with the nation's most ambitious system of public higher education, offers a three-tier system—the elite University of California with nine campuses including UCLA and Berkeley, nineteen other state universities such as San Jose State, and one hundred-six community colleges. In principle the three tiers guarantee universal access to higher education for California residents; in practice, the resources flowing to the three tiers are dramatically unequal.

Since 1964, admission to the University of California has been structured by a legislatively adopted Master Plan. Entering students must be in the top one-eighth of their graduating class. That requirement translates into a 3.25 grade point average (B plus) for students in California's 1200 high schools. In the actual admissions process, students must also have taken a series of specific high school courses, and done well on their SAT's. These measures are combined in an "academic index," and used at all U.C. campuses. The overwhelming majority of racial and ethnic minority admissions at Berkeley are drawn from this top one-eighth eligibility pool, yet a common misperception is that most minority students do not meet the published criteria.

One charge is that many minority students, African Americans in particular, may technically qualify because they receive good grades from mediocre high schools. But whatever the case in other states, minority applicants who qualify for the University of California are not drawn primarily from racially isolated inner city schools; many, if not most, are drawn from high schools that are already extraordinarily diverse. Furthermore, the State of California's Post-Secondary Education Commission continually audits the University's admissions procedures and the comparability of high school coursework, to ensure compliance with defined criteria.

Unfortunately, other demographic

facts—notably the rapidly rising number of high school graduates in California—have magnified the most minute differences between who gets accepted and who does not. Until the late 1960s, the University of California at Berkeley was able to accept virtually every applicant who met the eligibility criteria. Now the pressure is so great that Berkeley accepts approximately 16 percent of the formally eligible students in the pool. In 1989 for instance, there were 3,500 entry slots available. More than 5,800 of the 21,300 students who applied had straight A averages. As the Berkeley Faculty Senate's Karabel Report on admissions criteria concluded: "Regardless of affirmative action, regardless of any kind of action, Berkeley did not have room for at least 2,300 straight A students." In 1991, the number of students with straight A averages was 8,400.

This crunch is destined to get worse. By the year 2004, the number of high school students will nearly double to approximately 400,000 students, from 250,000 in 1990, making the competition for slots and the admissions decisions even more excruciating. The demographic composition of high school graduates is changing as well. Caucasian graduates are declining both absolutely (52 percent of all high school graduates, down from 61.8 percent in 1986), and in the numbers who apply to the university. Asian-American students, by contrast, are increasing in both categories. Asian applicants have jumped 44 percent in the last five years.

To date, the university system has been able to accommodate all eligible students, but not their choice of campus. For example, a rejected Berkeley applicant could still attend UCLA. But that accommodation cannot continue without growth of the system. Faced with these enrollment projections, the university is scrambling to add a tenth campus to its system, despite shrinking state budgets. And enrollment projections indicate three additional campuses, not one, will be required if the current

policy of admitting the top 12.5 percent is to continue. It should be clear from the simple mathematics that there has to be some other basis, besides ranking grade point averages, to determine who is admitted.

At the Berkeley campus, the "state's policy of admitting students to reflect the broad diversity of cultural, racial, geographic, and socio-economic backgrounds characteristic of California" works like this. Berkeley allocates roughly half of the slots (the number varies—it was 56 percent in 1991) to applicants strictly in accordance with their academic eligibility score, a combination of their grade point average and SAT score. All but approximately 5 percent of the remaining admissions (44 percent) are chosen from within the same eligibility pool, but additional criteria, including but not limited to race and ethnicity, may be considered. The remaining 5 percent of students are selected through a "special admit" category, which provides a path for those with special circumstances or characteristics, including athletes, older re-entry students, and the socio-economically disadvantaged. These students are selected on a individual case-by-case basis. In 1990, only 18 percent of entering black freshmen were from the special admit category.

Leaving aside the special admit category, since it is so small, how might the eligibility requirements translate for two students? If two hypothetical students, one black and one white, have, say, 3.6 grade point averages and SAT scores of 1100, the black student would have a better chance of admission to the Berkeley campus. Thus, it is here, at the margins of eligibility, that the conflict over admissions policy really occurs. If the two students meet the eligibility threshold, the student with slightly lower formal academic attainment may be the one selected, on the basis of race—or geography, extra-curricular talent, leadership, or the admission committee's detection of yet unrealized academic potential. The attempt to attain a diverse student body is of course deeply embedded in the system of college admissions; indeed, the only relatively

recent addition to that concept is racial or ethnic diversity.

This is a real conflict, and one that reflects divergent philosophical values about whether it is ever legitimate to take race, per se, into account in an individual admissions decision. It is a far different conflict, however, from the image of barely literate minorities usurping the slots of more deserving white students. Indeed, the 1990 report of Berkeley's Diversity Project points

The real conflict over admissions policy is at the margins of eligibility, between students with slightly different formal academic attainment.

out that "in sheer numbers, there are actually more white students than blacks admitted to Berkeley's" freshman class with grade point averages below 3.6. "

Nonetheless, those whites who are turned away—today from Berkeley, but potentially from the entire University system—provide plenty of frustration for demagogues to exploit. Yet fashioning an equitable alternative is not so easy. In a sense, the university's Board of Regents has already been through its "Willie Horton" fight. This largely Republican-appointed group, concerned about just such fears of reverse discrimination, is said to have listened in stunned silence as University President David Gardner laid out these demographic facts and enrollment statistics. Gardner, who cannot credibly be described as a "liberal social engineer" (he is a conservative Mormon from Utah, a nationally prominent Republican, and a cautious administrator), restated the University's policy of admitting qualified students to reflect the state's diversity, a policy mandated by the legislature since the adoption of the Master Plan in 1960. Gardner then invited alternatives. None were presented at the meeting.

The Faculty Senate committee at Berkeley, which reviewed admission procedures in 1990 and recommended in its Karabel Report only minor modifications despite considerable rancor during the committee's deliberations, ran a computer tape to see who would be admitted if all students were selected strictly on a mathematical basis. The result was that Berkeley would admit the top 3 to 4 percent of California's high school students, and its student body would be mostly white and Asian in composition. Such a selection process would also overturn state policy.

Pluralism and Merit

What must one believe to adopt an admissions policy based on numbers alone? One must believe that what tests measure as intelligence is valid and reliable, that grades are objective measures, that both tests and grades predict academic success in college, and that in some past golden age, universities admitted in accordance with some objective standard of intellectual merit. When Associate Vice Chancellor Russ Ellis says such a policy "is never" going to be adopted by the University of California, he has history, not just state policy, on his side. Traditionally, colleges or universities have almost never admitted students based strictly on grades and test results. In fact, university systemwide officials could think of only one college in the country—Georgia Tech—that admits students according to academic scores alone.

Historically, university student bodies have been chosen with an eye on their composition as a whole, and have included such considerations as whether or not the students were in-state or out-of-state, from rural or urban areas, whether their educational achievements were balanced by extracurricular activities, and so forth. In other words, "merit" has always been both somewhat subjective and flexible. The contested nature of merit, always implicit, is much more apparent in a demographically diverse situation, when a returning housewife competes against a student who

is the first in a poor family to attend college and a student from a fourth-generation college-educated family.

It is not clear whether the most vociferous critics of affirmative action admissions policies mean to argue for standards of statistical precision that have not existed previously. One is left with the impression, however, that this is where the logic leads, for few critics of existing policies have articulated any educational policy alternatives or attendant admissions criteria.

It is possible, of course, to suggest that every sort of non-traditional criterion *but* race is allowable, in order to achieve a diverse student body without explicitly considering race in individual admissions decisions. This sort of indirect diversity strategy may yet become necessary to pass muster with an increasingly conservative Supreme Court. However, for nearly thirty years the courts have accepted the idea that in a society with a history of racial discrimination race may, and even should, be taken into account in fashioning remedies. That view, which has informed enforcement of voting rights, public school integration, fair housing, as well as affirmative action in employment and college admissions, is now coming under assault from the Rehnquist Court.

University officials have argued, convincingly, that the achievement of greater diversity at Berkeley has not come at the cost of quality and have produced many reports to back up their claims. One Berkeley campus report asserts that the 1988 class was simultaneously the most diverse, and "the strongest academically, in Berkeley's history (as measured by high school grades and scores on the Scholastic Aptitude Test)." Administrators also argue that by every measure minorities admitted to Berkeley do better than the middle-class white students of the 1950s and 1960s. Average SAT scores at Berkeley, a measure not free of controversy but a more consistent measurement over time than grade point averages, have risen.

Retention and Graduation Rates

Critics argue that the academic weakness of minority students is demonstrated by their failure to graduate at the same rate as white students. Five-year graduation rates for blacks who entered UC/Berkeley in 1984 were 39 percent, compared with an available national data for whites (46 percent) and for whites at Berkeley (73 percent). For Chicanos and Latinos, the Berkeley rate was 52 percent, above the 46 percent white rate nationally. The most recent report of the University systemwide, issued in March 1991, compared the five-year graduation rates for African Americans, Asian Americans, and Hispanics and concluded in all cases they "exceed, and in some instances nearly double, those of comparable public institutions." Figures for minorities who graduate within six years are even better. These numbers are themselves inconclusive, for case studies suggest that many minority students drop out for economic reasons, as "front-loaded" scholarship aid tends to dwindle in the student's junior and senior year.

For both Berkeley and the university system as a whole, the data show minorities are graduating in increasing rates, and these rates exceed those of earlier, more homogeneous, classes. This is not to say that anyone should be satisfied with lower minority retention rates. It is to say that, placed in historical context, these figures remind us that change occurs over time and in many directions. These same figures might be viewed as a considerable accomplishment.

However, the politicization of retention rates and the casual use of statistics has had some terrible consequences, according to Patrick Hayashi, associate vice chancellor for admissions and enrollment. "People are being told they don't measure up and some of them are coming to believe it." He described attending a Filipino cultural event on campus for which hundreds of Filipinos from all over the Bay area turned out. "It was a marvelous evening ... [then] during

intermission, a Filipino student spoke to the audience about how poorly Filipinos were during on campus with a retention rate of only 55 percent." The student "created a picture of a barely achieving, barely literate group of people that were just not making it at all." Yet, "if you went to any other university in this state, these rates would have been fantastic."

"What do we make of the fact that the retention rate for Chicanos now is the same as that for whites in 1958," Hayashi asks rhetorically? "I don't know....but one thing it suggests to me is that you don't simply abandon the effort to admit Chicanos." As Hayashi and his assistant note, D'Souza made an "egregious error" when he used minority retention rates drawn only from those admitted from the 5 percent special-admit category, a classification explicitly designed as high risk.

The use of broad racial and ethnic categories disguises the reality of the newly constituted student body. At Berkeley, there is diversity within diversity within diversity. For instance, the Asian-American category is far from homogeneous, with significant differences among students of Korean, Japanese, Chinese, Thai, Cambodian, or East Indian ancestry, to give just a few examples. Asian students, like Chicanos or Latinos, might be recent immigrants or third- and fourth-generation Americans. Similarly, the Hispanic category (a term fallen into disrepute for reasons largely internal to its own diversity) incorporates many countries of origin—from Mexico, Central America, and the Caribbean to South American countries.

Diversity isn't a code word for a pernicious new ideology: it is an inadequate word to describe the reality of different cultures now living together in one state, and in this case, on one campus. Vice President for Academic Affairs William Frazer argues that the attainment of such diversity without sacrificing quality, "is an extraordinary achievement—and one few understand."

Dealing with Diversity

Campus administrators have taken a number of actions to help them understand the conflicts that have come with so much cultural and racial difference. For nearly three years, the everyday experiences of students in this new multicultural environment have been explored in a path-breaking study known as the Diversity Project. In one year alone, a team comprised of faculty and researchers, themselves ethnically diverse, have conducted interviews with approximately 230 students, divided into fifty-five focus groups.

In the first phase, groups of "homogeneous" students were constructed and matched with researchers of the same race/ethnicity. In stage two, students were mixed together. Far from being unable to discuss sensitive issues, such as affirmative action and "cliques," the candor of the mixed groups exceeded the expectation of the researchers.

Two overarching conclusions provide a key to the climate on campus: First, despite enormous reservoirs of good will toward diversity in the abstract, students were ambivalent and conflicted about it in the particular. There are "deep and gnawing reservations among the supporters [of affirmative action], and some strong sympathy even among the detractors." And second, all groups—whether they supported or opposed affirmative action—lacked specific knowledge about it, so that "strongly held opinions [exist] alongside either misinformation or complete ignorance..."

According to the focus groups, the belief that minority students do not meet eligibility criteria appears to be behind the tendency of some white students to see affirmative action in images of ownership and theft: "The operating assumption among many of the white and Asian students that we interviewed is that Black, Chicano/Latino, and Native American students don't 'belong' at Cal."

If those views are common among whites, among minorities there is aware-

ness that practices of granting preferences to sons or daughters of alumni never engendered similar antagonism. The Diversity Project report concludes, "In American higher education, far more whites have entered the gates of the ten most elite institutions through 'alumni preference' than all the Blacks and Chicanos together have ever entered through Affirmative Action." The fact that minorities are highly conscious of these practices means that "rage simmers on both sides of the great divide."

These underlying perceptions of the admissions process give rise to subsidiary tensions over friendships and group associations, labeled "balkanization" by critics. Racial and ethnic minorities are said to form enclaves that exclude and/or reject more integrationist modes of relating. The Diversity report describes the arrival of students on campus as an encounter with a large, anonymous urban environment. Students have long found a niche through the so-called affinity groups which help orient the newcomers. "In the 1950s and 1960s," observes sociologist and report author Troy Duster, "organizations like Newman and Hillel helped provided a supportive context for Catholic and Jewish students. What's new, because now it is based upon racial and ethnic differences, is that it looks to a lot of whites like they are being excluded."

Duster sees these tensions as part of a period of transition, a stage in the development of race relations. What appears to critics as tribalism may in fact be a way to help individuals establish an identity from which they can affirm a sense of self and participate in new public arenas. Duster says we lack a good way to theorize about cultural competence in the context of today's race relations, where "relational skills are increasingly required to navigate among diverse cultures," but if "you believe in the imagery of the melting pot, a powerful nostalgia can be created."

According to Professor David Wellman, a sociologist and colleague of Duster on the Diversity Project, in the past minority

groups have been required to understand and become literate in the mores of the dominant culture. Today, he argues, all groups need to develop competence. Seen from this perspective, white students from suburbs or private schools in which cultural differences are minimal may be the most disadvantaged, the least culturally literate. Students from heterogeneous high schools, including ethnic minorities, are already "used to moving between cultural worlds."

Wellman cites the work of math professor Uri Treisman as an example of cultural learning. In the mid-1970s, Treisman set out to discover why Asian students did so much better in calculus than black and Hispanic students. He watched them closely, in and out of the classroom, for 18 months and discovered that the Chinese students studied together, making homework almost a social event. "Gathered around a pot of soup, the students would compare answers, review old exams, and work as a team to solve especially difficult homework problems." Black and Hispanic students, by contrast, studied by themselves and sharply separated their academic from their social lives. Drawing on this knowledge, Treisman set up workshops where blacks and Hispanics could study in groups. The results were dramatic—the failure rate dropped from 60 to 4 percent. Treisman now uses this approach for all students and the technique has been replicated at other universities. Wellman sees this as an example of cultural learning with dramatic effects. Exploring such ground, however, requires not just curiosity but a freedom from racial and ethnic stereotypes.

When the context is changed, and the subject matter is slightly less charged, "cultural competence" is widely seen as sensible and uncontroversial. For instance, many in the business community have worked for years to convey the necessity of understanding Japanese culture and practice when doing business with Japan. Wellman and Duster argue that American society in the future, especially the workforce, will be comprised

of enormous cultural diversity and that understanding difference is functional.

In addition to studies, reports, and surveys, the Berkeley campus has created a multicultural action team for situations or requests that need a quick response, established new student orientation programs, and even created a multicultural "game" called DARE that entering students can play to learn about other cultural sensitivities in a "safe" environment.

According to Sheila Bradley, a Berkeley senior, "You can just tell who has gone to a school where many cultures are represented—they're just more comfortable." Ironically, a minority student from a predominantly white high school where they felt comfortable and accepted can have a particularly jolting experience as a newcomer to campus, where she may have her first encounter with racial stereotypes and discrimination. Another undergraduate from a conservative, mostly white, suburban community said her first semester at Berkeley was a "cultural shock" as she had no idea what it meant to be viewed as a Mexican, and "even the word Chicano was new to her."

A survey of undergraduate attitudes at Berkeley, published as the Maslach Report, suggests that students are increasingly aware of the campus as a microcosm of the world they expect to find after graduation, and indicate a desire (70 percent) to have more cross-cultural contact. White students say they desire this contact less than other groups, but even a majority of non-white groups express such wishes. Three-fourths (75 percent) of the students said their experience at Berkeley made them more comfortable with people of different backgrounds.

While these reported attitudes may be influenced by what students believe they are expected to say, students in the focus groups repeatedly urged administrators to find more situations where cross-cultural interaction could occur. These students sharply distinguished between naturally occurring activities, such as sports or music (band, orchestra, or choirs), and those de-

signed specifically to acquaint them with other cultures, such as campus-wide dances. But decisions about whose music to play and beliefs about who can—and cannot—really dance make these events more, not less, fraught with tension. Both the Maslach Report and the Diversity Project urge faculty to take a more active role in task-oriented group activities, especially those that can be organized around the classroom and coursework.

Associate Vice Chancellor Ellis emphasizes how few racial and ethnic incidents have occurred among the campus's 30,000 students, given the scope and magnitude of the change. Many of the ones that do occur, he says, originate in the dormitories and "are really clumsy attempts at intimacy." Ellis argues that the university has only begun to understand how much restructuring is needed to accommodate this new student body, since "most services were predicated on a relatively homogeneous student body that no longer exists." However, new services are improbable, given the state's fiscal crunch.

The faculty, roughly 84 percent white and male, is also feeling new demands of cultural competence as it deals with a student body whose ethnic make-up has changed dramatically in a short time. White male students are now just 16 percent of the total, and this must be jarring to at least some faculty members, simply by virtue of the departure from the composition of past classrooms.

Multiculturalism, or the required study of non-traditional curricula, has been singled out for ridicule in the work of D'Souza and others. Obviously, the study of diverse cultures can be undertaken as a political gesture—or a serious enterprise. At Berkeley, in 1989, a controversial "American cultures breadth requirement" was adopted by the Berkeley faculty. All students were required to take one course whose content would draw on at least three cultural groups (African Americans, American Indians, Asian

Americans, Chicano/Latinos, and European Americans). To qualify for inclusion in the new requirement, a course had to be "integrative and comparative and address theoretical and analytical issues relevant to understanding race, culture, and ethnicity in American history and society." Many courses, from many disciplines, can be certified over time. The administration established a Center for the Teaching and Study of American Cultures, with special summer institute funds to subsidize faculty who wished to design or revise courses to qualify for credit as meeting the new American cultures requirement.

Some members of the faculty objected to the whole concept. Political scientist Aaron Wildavsky, for one, opposed the approach; however Wildavsky, calling himself "a good and loyal citizen" is gamely revising one of his own courses so that it qualifies for inclusion. Few of the traditionalists on the faculty exhibit this good will, leaving the new curriculum to those already sympathetic to it.

Even if the current policies at Berkeley can be defended pedagogically and constitutionally, some critics argue that they are vulnerable politically; that the university is in danger of losing critical support from voters, who are disproportionately white and well off. They believe the university has made a calculated political choice, and that it is the wrong one. Some believe grades and SAT scores should be strictly applied in order to avoid admitting a 3.5 minority student over a 4.0 student (presumed to be white but just as likely Asian). Some are sympathetic to the idea that a public, tax-supported university should enroll a diverse cross-section of the state's students, but suggest students with 3.5 grade point averages (presumed to be minorities but just as likely to be white) enroll in the second-tier state university system.

Unwittingly perhaps, these critics raise a powerful issue: over time, the three tiers of California's higher education system are not just "different," they are rank-ordered in terms of resources and quality. The dif-

ference between a 4.0 and a 3.5 high school grade point average may be miniscule in terms of their academic potential or their future contributions to society, but, given the resource disparity, these differences will be magnified, not minimized, by where in the higher education system the student lands.

If, then, the university continues its policies, what must be done? The Diversity Project emphasizes again and again the depth of misunderstanding of basic facts and recommends that all entering students be given information on admissions policies and statistics on class composition. But fact sheets won't of course alter most forms of prejudice, or the outrage of a student denied her preference of campus. One skeptical campus administrator's response to the figures contained in this article, especially the fact that most minorities were in the eligibility pool, was unfortunately typical. He said, "I simply don't believe it." The Diversity Report urges greater clarity and explicitness about the philosophical rationale that underlies admissions policies. "Redress of past grievances through affirmative action remain part of the rationale, but not all of it," says Duster.

The language of affirmative action was applied by administrators to *both* the 5 percent special admit category *and* the second category of admissions (46 percent in 1991). Approximately 80 percent of the admissions in the 46 percent category—where attributes other than grades and SAT scores are permitted—are in the college of letters and science. According to Hayashi, approximately 30 percent of those are white students. He occasionally startles one of these students by pointing out that they, in a sense, are affirmative action admissions.

However, it is no longer clear, given the complex diversity of ethnicity and social class, precisely what affirmative action means at a campus like Berkeley. Does it really make sense to say that these white students, admitted partly based on criteria other than grades and test scores, are "affirmative action" enrollments? In effect, three different ideas are being confused:

policies designed to accommodate diversity in the population and create a broadly diverse student body in the aggregate; policies that use non-traditional criteria to identify merit and talent, quite apart from race; and policies of racial or ethnic targeting explicitly intended to compensate for past discrimination, exclusion, or underrepresentation.

If, as some critics contend, the Supreme Court may strike down admissions policies which include consideration of race or ethnicity, are traditional modes of selecting study bodies that rely on non-"objective" criteria also to be thrown out? Does it make sense to balance a class with athletes, alumni offspring, or a rural-urban mix of students, but not take into account racial and ethnic composition? If critics of current policies believe that a diverse student body is a legitimate objective, how would they structure admissions criteria so they are not led into the absurdity of allowing every balancing criterion but race or ethnicity? And if white admissions continue to stay below their proportion of the overall population or of high school graduates, will whites then become an "under-represented" group eligible for "affirmative action"?

As the Diversity Report suggests, there seems to be a movement in the direction of justifying a diverse student body for civic and social reasons, rather than simply as a compensatory response to past discrimination. The well-educated elite needs to be broadly representative; a multicultural society—epitomized by California—needs leaders from a variety of backgrounds. At some point in the future, the present effects of past racial isolation and discrimination will be ancient history; and one must hope that talent, which we believe to be distributed in the population without regard to race, will someday be so obvious that "objective" admissions criteria will be easy to agree upon. But until that day comes, the education of a broad and democratic society will require a heroic, complex, and sometimes controversial commitment to diversity in college enrollments. ♦



(continued from page 13)

federal government; global changes that have redefined the status of the United States. This is understandable; reactionaries nurtured by the Reagan and Bush administrations have succeeded in putting progressives on the defensive.

Now, however, it is time—past time—for progressives to think anew and without inhibition about their goals and the best ways to achieve them. For instance, do we ultimately want to create a plural society in which racial groups such as African Americans have an official status (like native American tribes) as collectivities to which individuals belong, or do we want an integrated society in which an individual's race is of no legal significance? Assuming that we have the power to sustain or even expand affirmative action, do we want it as a transitional institution that will at some point wither away? Or do we want it as a permanent feature of our society that will accommodate competition between contending racial and ethnic groups?

The other reason that the exploration of alternatives that Starr invites is so urgently required is that, in reality, progressive backers of affirmative action cannot assume that they will have the power to sustain it. Opposition to affirmative action is strong and may grow. Therefore, it is important to create contingency plans in the event that affirmative action is eviscerated by the

Reagan-Bush federal judiciary or it becomes altogether clear that the benefits of affirmative action are decisively outweighed by its costs. Whatever one's view of affirmative action, Starr's invitation to think of alternatives is simply prudent.

Starr writes that he would favor continued support of affirmative action "if, taking *all* its effects into account, it were positively beneficial." That is the correct approach to take to the subject. It is a pragmatic, empirical, non-absolutistic approach that does not answer the question "Are you in favor of affirmative action?" with a simple "Yes" or "No" but instead answers the question with a more complicated "It all depends." It all depends on the total mix of beneficial and detrimental consequences that arise from the working of affirmative action programs, and on the available alternatives. Starr implies, although he does not explicitly state, that in his estimation the costs of affirmative action now outstrip its benefits.

Here is where we begin to disagree. Starr undervalues the good that affirmative action accomplishes and exaggerates the costs it imposes. He recognizes that "affirmative action has improved minority representation in the professions and at some corporations" and describes this fact as "a genuine positive benefit." In his view, however, this positive benefit is outweighed by the combination of two factors: (1) affirmative action's "ineffective[ness] as a strategy for reducing minority poverty" and (2) affirmative action's "big political toll: deep and continuing antagonism from whites, particularly in the working class."

With respect to the first of these factors two points need to be made. One is that the benefits of affirmative action have been diffused to a wider socioeconomic range of African Americans than is suggested by Starr and William Julius Wilson, the authority upon whom Starr relies most heavily. Affirmative action has not simply aided the upper reaches of the black middle

class, those whom Starr describes as "best poised to take advantage of opportunities for higher education and the professions. It has also aided African Americans searching for stable, well-paying, but non-elite blue-collar or hard-hat positions—for example, fire fighters, police officers, craft workers, low-level bureaucrats. Stephen Steinberg puts the point nicely in a recent issue of *Reconstruction*:

A significant number of the 1.3 million black government employees owe their jobs to affirmative action. In addition, most major corporations, including some of the nation's largest employers . . . have made significant progress in desegregating their workforces under affirmative action programs imposed on government contractors. . . It is precisely because the stakes are so high that affirmative action is so fiercely contested.

A second point about the claim of middle-class bias within racial affirmative action is that it was and remains perfectly appropriate for the black middle class to be offered special assistance as part of a strategy for overcoming the nation's legacy of racial oppression. People in the black middle class have been and continue to be victimized by that legacy. The specifically *racial* dimension of the problems facing the black middle class as well as the relative social propinquity of the black middle class to its counterparts further down on the African American social ladder is suggested by a useful fact that Starr himself notes:

[T]he black middle class is not at all comparable to the white middle class in wealth. Overall . . . black households have only one quarter the net worth and 1 percent of the net financial assets of white households. Astonishingly, white households with annual incomes between \$7,500 and \$15,000 have higher mean net worth and net financial assets than black



households making \$45,000 to \$60,000. The lack of assets is not just an individual problem; the black community as a whole stands to inherit relatively little wealth from one generation to the next.

Addressing those who respond to the class-bias critique of affirmative action by stating that it was never intended to alleviate poverty among black Americans, Starr avers that "if there were no poverty among racial minorities, affirmative action would not have had much moral claim in the first place." In other words, Starr demands that affirmative action be judged by what it has done to eliminate poverty. Now it may be true that some proponents of affirmative action have evoked black poverty to mobilize indignation, guilt, and idealism on behalf of race-conscious remedies. But to the extent that such appeals were made, they were mainly either rhetorical gambits or reflections of naivete. It should have been clear from the outset—and it was clear to left-liberal critics of affirmative action in the 1960s—that the programs of race-conscious preferences that we are now debating would never by themselves eradicate poverty to any significant extent.

But for many, recognition of this does not and should not dampen support for affirmative action. That is because what primarily

animates the drive for affirmative action is not an insistence upon eliminating poverty per se but rather a desire to open to African Americans and others opportunities from which they have historically been excluded. This desire would exist and should exist regardless of the state of poverty among African Americans. Even if black poverty were wholly eliminated, affirmative action would still be needed if the state of society were such that blacks, because of the legacy of past oppression, were largely excluded from the upper reaches of

Even if black poverty were eliminated, affirmative action would still be needed if blacks were largely excluded from the upper reaches of American life.

American political, social, and cultural life. Poverty is surely an evil to be overcome. But a distinct, though related, evil is racial inequality which is precisely the problem that affirmative action seeks, albeit imperfectly, to address. Starr conflates these two evils. Their separateness needs to be recognized.

Let us turn now to the second factor that has persuaded Starr that affirmative action costs more than it is worth—the white backlash that, in his words, has resulted in “more political support for the right, and less chance of enacting the kind of positive legislation that would especially benefit low- to middle-income Americans of all races.” I do not doubt that affirmative action has played some role in creating and fanning the antagonism and resentment of some whites. But much of the white backlash that concerns Starr is not simply the consequence of affirmative action alone. It is the result as well of other things, including a deep-seated fear of and hostility toward the advancement of black Americans *however this advancement is achieved*. In other words, Starr exaggerates

the cost of affirmative action by making it solely responsible for white reactionary backlash. Unfortunately, white racist resentments will exist as a force—a strong force—to be reckoned with even in the absence of affirmative action.

Starr proposes a new deal for racial justice. Under the terms of the deal, blacks would give up their claims to racial affirmative action in return for two things: (1) race-neutral redistributive policies aimed at helping the needy of all races and (2) a National Endowment for Black America that would “serve as a mechanism for receiving capital contributions and supporting a variety of social and cultural organizations in the black community.”

The first prong of this proposal has been suggested by a long line of social democrats haunted by the ugly reality of racial divisions within the poorer socioeconomic classes. A central difficulty is the practical one of delivering the goods promised by the deal. Even if proponents of racial affirmative action were willing to trade, it is not at all clear that Starr and the political forces for which he speaks could deliver the enlarged race-neutral redistributive programs they envision. Conservatism might well stymie them. If this actually happened, blacks would have given up a concrete benefit for a mere unfulfilled promise. Starr will have to say far more than he has thus far in order to allay this realistic fear. As for the national endowment for black America, neither the federal government nor private parties nor both combined would invest adequate resources in it to make Starr’s proposed deal sufficiently sweet to embrace.

For one thing, untold squabbling would engulf the endowment. What would happen to requests for funds by Minister Louis Farrakhan or Professor Leonard Jeffries? Starr denies that the endowment would be subject to the same criticisms and white opposition that have diminished the popularity and efficacy of affirmative action. But here, too, he is wrong. He believes that the response to the endowment would be different because it would “provide

resources to institutions rather than individuals and thereby sidestep charges that compensatory programs undermine meritocratic standards."

Here Starr lets slip the obsession with meritocratic standards that grips so many academics (including me). What actually powers opposition to affirmative action in most areas of society is not a commitment to an abstract notion of individual desert but rather a raw and largely accurate calculation that when resources are channelled to blacks, resources are less available to others. If a huge amount of funds was to be pumped into the endowment that Starr proposes, one can confidently predict that such an initiative would be met with heavy opposition: Why blacks instead of Indians? Why should a project—let's call it the Bill Cosby Project—mainly useful to black middle-class children, receive the benefit of public and private dollars while the white children of the Appalachian poor are forced simply to make do with what they receive from regular, race-neutral sources of social welfare?

I respect Paul Starr's fervent desire to further the cause of equal opportunity. In the current situation, that commitment is precious. Let's remember that as we articulate our various disagreements about how best to reach our shared aspirations. ♦

Equality and Identity

Cornel West

The fundamental crisis in black America is twofold: too much poverty and too little self-love. The urgent problem of black poverty is primarily due to the distribution of wealth, power, and income—a distribution influenced by the racial caste system that denied opportunities to most "qualified" black people until two decades ago.

The historic role of American progressives is to promote redistributive measures that enhance the standard of living and quality of life for the have-nots and have-too-littles. Affirmative action was one such redistributive measure that surfaced in the heat of battle in the 1960s among those fighting for racial equality. Like earlier *de facto* affirmative action measures in the American past—contracts, jobs, and loans to select immigrants granted by political machines; subsidies to certain farmers; FHA mortgage loans to specific home buyers; or GI Bill benefits to particular courageous Americans—recent efforts to broaden access to America's prosperity have been based upon preferential policies. Unfortunately, these policies always benefit middle-class Americans disproportionately. The political power of big business in big government circumscribes redistributive measures and thereby tilts these measures away from the have-nots and have-too-littles.

Every redistributive measure is a compromise with and concession from the caretakers of American prosperity—that is, big business and big government. Affirmative action was one such compromise and concession achieved after the protracted struggle of American progressives and liberals in the courts and in the streets. Visionary progressives always push for substantive redistributive measures that make opportunities available to the have-nots and have-too-littles, such as more federal support to small farmers, or more FHA mortgage loans to urban dwellers as well as suburban home buyers. Yet in the American political system, where the powers that be turn a skeptical eye toward any program aimed at economic redistribution, progressives must secure whatever redistributive measures they can, ensure their enforcement, then extend their benefits if possible.

If I had been old enough to join the fight for racial equality in the courts, the legislatures, and the board rooms in the 1960s (I *was* old enough to be in the streets), I would have favored—as I do now—a class-based

affirmative action in principle. Yet in the heat of battle in American politics, a redistributive measure in principle with no power and pressure behind it means no redistributive measure at all. The prevailing discriminatory practices during the sixties, whose targets were working people, women, and people of color, were atrocious. Thus, an *enforceable* race-based—and later gender-based—affirmative action policy was the best possible compromise and concession.

Progressives should view affirmative ac-

*Without affirmative action,
racial and sexual
discrimination will return
with a vengeance.*

tion as neither a major solution to poverty nor a sufficient means to equality. We should see it primarily playing a negative role—namely, to insure that discriminatory practices against women and people of color are abated. Given the history of this country, it is a virtual certainty that without affirmative action racial and sexual discrimination will return with a vengeance. Even if affirmative action fails significantly to reduce black poverty or contributes to the persistence of racism in the workplace, without affirmative action black access to America's prosperity would be even more difficult and racism in the workplace would persist anyway.

This claim is not based on any cynicism toward my white fellow citizens; rather, it rests upon America's historically weak will toward racial justice and substantive redistributive measures. This is why an attack on affirmative action is an attack on redistributive efforts by progressives unless there is a real possibility of enacting and enforcing a more wide-reaching affirmative action policy.

In American politics, progressives must not only cling to redistributive ideals, but also fight for those policies that—out of

compromise and concession—imperfectly conform to those ideals. Liberals who give only lip-service to these ideals, trash the policies in the name of *realpolitik*, or reject the policies as they perceive a shift in the racial bellwether, give up precious ground too easily. And they do so even as the sand is disappearing under our feet on such issues as regressive taxation, layoffs or take-backs from workers, and cutbacks in health and child care.

Affirmative action is not the most important issue for black progress in America, but it is part of a redistributive chain that must be strengthened if we are to confront and eliminate black poverty. If there were social democratic redistributive measures that wiped out black poverty, and if racial and sexual discrimination could be abated through the good will and meritorious judgments of those in power, affirmative action would be unnecessary. Although many of my liberal and progressive comrades view affirmative action as a redistributive measure whose time is over or whose life is no longer worth preserving, I question their view because of the persistence of black social misery, and the warranted suspicion that good will and fair judgment among the powerful does not loom as large toward women and people of color.

If the elimination of black poverty is a necessary condition of substantive black programs, then the affirmation of black humanity, especially among black people themselves, is a sufficient condition of such progress. Such affirmation speaks to the existential issues of what it means to be a degraded African (man, woman, gay, lesbian, child) in a racist society. How does one affirm oneself without reenacting negative black stereotypes or overreacting to white supremacist ideals?

The difficult and delicate quest for black identity is integral to any talk about racial equality. Yet it is not solely a political or economic matter. The quest for black identity involves self-respect and self-regard, realms inseparable from yet not identical to

political power and economic status. The flagrant self-loathing among black middle-class professionals bears witness to this painful process. Unfortunately, black conservatives focus on the issue of self-respect as if it is the one key that opens all doors to black progress. They illustrate the fallacy of trying to open all doors with one key: They wind up closing their eyes to all doors except the one the key fits.

Progressives, for our part, must take seriously the quest for self-respect, even as we train our eye on the institutional causes of black social misery. The issues of black identity—both black self-love and self-contempt—sit alongside black poverty as realities to confront and transform. The uncritical acceptance of self-degrading ideals, that call into question black intelligence, possibility, and beauty not only compounds black social misery; it also paralyzes black middle-class efforts to defend broad redistributive measures.

This paralysis takes two forms: black bourgeois preoccupation with white peer approval and black nationalist obsession with white racism.

The first form of paralysis tends to yield a navel-gazing posture that conflates the identity crisis of the black middle class with the state of siege raging in black working-poor and very poor communities. That unidimensional view obscures the need for redistributive measures that significantly affect the majority of blacks, who are working people on the edge of poverty.

The second form of paralysis precludes any meaningful coalition

with white progressives because of an undeniable white racist legacy of the modern West. The anger this truth engenders impedes any effective way of responding to the crisis in black America. Broad redistributive measures require principled coalitions, including multiracial alliances. Without such measures, black America's sufferings deepen. White racism indeed contributes to this suffering. Yet an obsession with white racism often comes at the expense of more broadly based alliances to affect social change, and borders on a tribal mentality. The more xenophobic versions of this viewpoint simply mirror the white supremacist ideals we are opposing and preclude any movement toward redistributive goals.

How one defines oneself influences what analytical weight one gives to black poverty. Any progressive discussion about the future of racial equality must speak to black poverty and black identity. My views on the necessity and limits of affirmative



action in the present moment are informed by how substantive redistributive measures and human affirmative efforts can be best defended and expanded. ♦

Racial Politics

Ronald Brownstein

When Paul Starr writes that liberals will soon "have no alternative but to find a new road to equal opportunity in America" he says publicly what many Democratic politicians will still say only in private.

The problem facing racial revisionists such as Starr is straightforward. On both political and policy grounds, many liberal leaders share Starr's hunger for new ways to bridge the gaps between white and black America. But that urge is blunted by the fear that civil rights leaders will view any call for a new vehicle as an abandonment of the quest for racial justice. Few white politicians are so confident of their standing in the black community to risk such condemnation. As a result, change in the way liberals confront racial issues is coming very slowly—although it is undeniably, and inexorably, coming.

Most Democrats view racial issues through a framework defined by the civil rights leadership in the late 1960s and early 1970s. At least since the death of Martin Luther King Jr., the civil rights movement has attempted to advance minority interests less through mass biracial political mobilization than through legal strategies constructed on the differences between the interests of blacks and whites. For most of the past twenty years, that approach has meant that the social obligations of whites to blacks have been principally defined in the courts, not in Congress.

That strategy allowed civil rights leaders to build an imposing legal edifice that helped expand the black middle class through programs such as affirmative ac-

tion and minority set-asides. But, as Starr correctly observes, it always contained a dangerous flaw: Whites cast the vast majority of votes in this country, and they have never accepted programs that give preference to minorities, even when they are presented as recompense for past discrimination. In one recent Gallup survey, for example, whites, by a resounding margin of 84 to 8 percent, opposed preferential treatment in hiring and college admissions designed "to make up for past discrimination."

Those sentiments could not be forever segregated from political debate. The partisan politics of affirmative action did not immediately emerge, since the Nixon administration instituted many of the initial programs. But as the depth of white resistance to such programs became apparent, Republicans moved into opposition, and affirmative action joined busing, welfare, and crime on the list of issues the GOP has used to insinuate to whites that Democrats favor minorities.

In that way, the affirmative action strategy has seeded its own frustration. The perception that Democrats favor minorities has helped the GOP control the White House for most of the past twenty-five years. With their control of the White House, Republicans have used their appointment power to shift the federal judiciary dramatically to the right, effectively closing the courthouse door to civil rights advocates. Today, the courts are more likely to roll back gains won during the 1970s than to expand legal rights or preferences for minorities.

No longer able to rely on the courts, advocates of the traditional civil rights strategy now face a conundrum. Confronted with conservative judges committed to undoing the gains of the 1970s, the civil rights groups have turned to Congress for legislation overruling the courts and restoring affirmative action. But Starr and like-minded critics are correct to see this rear-guard fight as a self-defeating strategy, for the enormous public focus that it places on the Democrats as defenders of special

programs for minorities only makes it more difficult for the party to recapture the White House and reshape the judiciary.

To a growing number of Democratic political strategists, that argument eloquently frames the case for a new approach. During the long legislative fight over the civil rights bill George Bush finally signed into law last fall, many congressional Democrats felt the political cost of defending affirmative action greatly exceeded the benefits such programs would actually bring to the minority community. During the protracted struggle, some legislators spoke of the civil rights leadership in the tones soldiers use to describe generals who send them to take a meaningless hill at great cost. "I am saying what William Raspberry is saying," Oklahoma Congressman Dave McCurdy, chairman of the House Intelligence Committee and a leader of younger congressional Democrats told me during the debate. "We're building this [civil rights bill] up to be [a] championship bout, but this is not a championship bout. It is a fight that should be made, but it should not be elevated to the degree it has been...We're dealing with legalisms when we better be concerned about feeding children, and the deterioration of the family structure, and the lack of opportunity."

Eventually, of course, Congress reached a compromise on the bill with an administration sensitive to the accusation that its denunciations of quotas had created an environment in which former Ku Klux Klan leader David Duke could thrive. But few observers are optimistic that the Reagan-Bush courts will refrain from further curtailment of existing affirmative action programs. The GOP, in turn, is likely to seize on the inevitable Democratic efforts to overturn those decisions in Congress as an opportunity to further stamp the Democrats as the party of minorities. With those divisive prospects looming, it should be no surprise that liberal thinkers such as Starr and William Julius Wilson are searching for

another path to greater racial equality.

Signs of this rethinking are still much more evident in the intellectual community than among politicians. No leading Democratic politician has gone as far as Shelby Steele in saying that the party should walk away from affirmative action; even privately few feel such a drastic step is necessary. All of the announced presidential candidates, for example, supported the civil rights bill. But all of the Democratic contenders have broadly echoed the political strategy long advanced by Wilson and echoed here by Starr: that affirmative action should be downplayed in favor of broadly structured economic and social programs that dispense benefits without regard to race.

Arkansas Governor Bill Clinton has most aggressively followed that advice. Clinton has searched for a program that reaches out to working- and middle-class white voters who have abandoned the

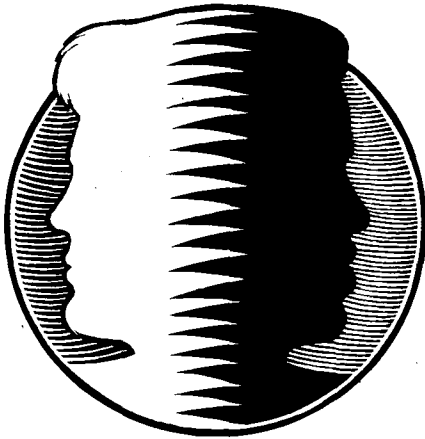
Change in the way liberals confront racial issues is coming very slowly, although it is undeniably, and inexorably, coming.

Democrats without abandoning the party's commitment to blacks. No one would suggest he has found a perfect balance. Many civil rights leaders—including Jesse Jackson—were angry at Clinton last spring when the Democratic Leadership Council, an organization he chaired at the time, passed a resolution condemning racial hiring quotas. But as a candidate, Clinton has found a more measured tone. Much like Wilson, he has avoided criticizing affirmative action, even while advancing what amounts to a successor agenda. Clinton's economic program is built around initiatives such as apprenticeships and universal access to college loans that could offer substantial benefits to minorities, but are equally attractive to middle-class whites. At every opportunity, he criticizes the Presi-

dent for attempting to divide the nation by race, and says the Democrats must construct programs that unite blacks and whites in common purpose.

It isn't surprising to hear such notes from Clinton, who emerged from the ranks of those criticizing traditional liberal approaches. It may be more revealing of the party's shifting center that Iowa Senator Tom Harkin—who structured his campaign as a defense of precisely such approaches—advanced similar arguments.

Signs of change within the party on racially tinged issues are appearing on other fronts. Perhaps the most notable new theme in national Democratic politics this year is the stress on "personal responsibility" in social programs. Clinton has most vigorously advanced that idea in the presidential race, endorsing tougher child support collection and stiffened work requirements for welfare recipients. But Clinton isn't alone in the party: West Virginia Senator Jay Rockefeller adopted a similar approach in the recent National Commission on Children report, and New Jersey Governor James J. Florio recently signed a bill that denies additional welfare



benefits to unwed mothers who have additional children while on Aid to Families with Dependent Children.

That particular measure is controversial, as are many of the other ideas now gaining ground in the states under the personal responsibility banner. But the broader trend

is clear: For the first time since Daniel Patrick Moynihan was denounced as a racist for his 1965 report on the black family, some Democrats are losing their fear of publicly acknowledging that individual moral decisions can complicate the problems of the poor.

To its critics, this search for programs that are race-neutral and encourage "personal responsibility" represent nothing more than pandering to white resentments. But clearly more than that is involved. Former Massachusetts Senator Paul E. Tsongas, who has generally defended liberal social positions as ardently as he has criticized liberal economics, crisply summarized the new thinking when he told me last year that "this gravitation toward more responsibility for your actions is a natural course of history and to somehow suggest that that is racist misses the point. It comes out of a sense of frustration over what has not worked, as opposed to racism."

For that reason, welfare reform has won support from a few influential black politicians such as New Jersey State Assemblyman Wayne Bryant, who originally drafted the bill limiting benefits. Likewise, Clinton's call for compelling all welfare recipients to take public service jobs after two years on the rolls—though alienating to some supporters of Jesse Jackson—hasn't prevented him from attracting more endorsements from black elected officials than any of his competitors.

Moreover, political calculation doesn't always translate into craven capitulation. In this case, it also represents an attempt to construct sustainable programs that help minorities within a moral framework acceptable to the majority of voters. Programs built on the ideas of race-neutrality and personal responsibility are likely to have a more stable political base of support than those built on the ideas of open-ended entitlement and racial preference.

It would be naive to think that even if all welfare programs were redesigned to demand greater personal responsibility and all racial preferences in hiring and ad-

missions were eliminated that racial hostility would be expunged from politics. The nation's racial divisions are too deep—and too central to the Republican strategy in national elections—to permit a truly color-blind politics. But Starr and his colleagues in the post-affirmative-action left are framing the right question: Is it sufficient to decry those divisions, or is it incumbent on liberals to find new ways to bridge them? ♦

The Liberals' Loss of Nerve

Kenneth S. Tollett

Paul Starr's "Civil Reconstruction: What to do without Affirmative Action" is one of the most sensitive, constructive, yet flawed articles on civil rights and the special plight of blacks I have read in the popular media. Its sensitivity and constructiveness flow from its effort to move Americans in the direction of "the reconstruction of civil society in minority communities and toward the promotion of broad policies for economic opportunity and security that benefit low- and middle-income Americans, black and white alike." The flaw in the article is its inadequate defense of affirmative action as a concept, which flows from its pessimistic presumption about the future of affirmative action in the United States Supreme Court because of the addition of Justice Clarence Thomas. This presumption is questionable and, more important, it reveals a loss of nerve among too many so-called liberal friends of affirmative action and blacks.

Starr would do well to heed the words of Deborah A. Stone's article "Race, Gender, and the Supreme Court" in the same issue. Stone writes that plenty of room exists for race-conscious remedies when race-neutral selection procedures either deliberately or inadvertently perpetuate the effects of prior discrimination.

Before articulating the rationale for af-

firmative action the importance of Starr's call for the reconstruction of civil society in many minority communities should be underscored. William Julius Wilson's *The Truly Disadvantaged* indicates that the concentration of the black poor, and their social and psychological isolation, are the major reasons for the creation of a black underclass in the United States, with all of its pathological manifestations. Thus, what is needed is the socioeconomic reintegration of the black community into the larger society, which should be the result of reconstructing such communities.

Sadly, Starr repeats Wilson's questionable criticism of affirmative action for helping those members of minority groups best poised to take advantage of opportunities for higher education and the professions. Starr, following Wilson, implies that, as a result, affirmative action has not done much good for the poor and for that matter, society in general. The historical record refutes this criticism: Many, if not most, blacks who have taken advantage of affirmative action were poor, and moved into the middle class, higher education, and the professions as a result of it. However, such blacks had middle-class aspirations because they came from socioeconomically integrated communities that provided them with visible and important, albeit exceptional, examples of middle-class, upwardly mobile blacks.

However, Starr's support for historically black colleges is important and commendable. Ironically and paradoxically, these institutions may have become more important today than they were twenty or thirty years ago for poor, underprivileged, and, even underclass blacks.

Historically or predominantly black colleges perform four unique functions in the educational experience of blacks. They provide young people with creditable models of success, psycho-socially congenial settings, transitional enclaves, and insurance against a declining interest in the education of blacks. In addition, they serve three other

functions which are not unique to them, namely, providing economic and political resources for the communities in which they are located, adding diversity to the higher educational system by providing choice for both black and white students, and functioning as repositories of the black cultural heritage and experience.

Until the early 1970s black colleges educated the overwhelming majority of blacks who received post-secondary education. Even today, while they barely enroll one-fifth of blacks attending post-secondary institutions, they graduate approximately 40 percent of blacks who receive baccalaureate degrees. Thus, they are what I call "instruments of affirmative action." This leads to the great flaw in Starr's analysis.

Because black colleges are instruments of affirmative action, their preservation and enhancement require more than a race-neutral public policy. Indeed, Congress has recognized this by authorizing a one hundred million dollar set-aside for historically black institutions in the Higher Education Reauthorization Act of 1986. This set-aside is an expansion of Title III of the Higher Education Act of 1965, which was originally primarily for their benefit, although it spoke of "developing institutions."

The "one pervading purpose" or original intent of the Reconstruction Amendments (XIII, XIV, and XV) was to preserve and secure the liberty of freedmen or blacks. This was not a racially neutral purpose and the difficulty black colleges and affirmative action are in now stems from the fact that blacks as well as whites are not willing to assert aggressively and firmly the tilt of the Constitution in the favor of blacks as expressed in the Reconstruction Amendments. Ultimately, the future of these institutions, especially the public black institutions, and of affirmative action, depends upon a racially sensitive policy. That is what is at stake in *Ayers v. Mabus*, the current case in the United States Supreme Court from Mississippi. A racially neutral policy of funding actually perpetuates the material deprivations and

capital under-funding of these institutions.

Starr cogently argues that fear and rejection of blacks are products of affirmative action on their behalf. This is residual racism pure and simple. In the past, the enactment of affirmative action and anti-discrimination laws came as the result of many whites' decency and commitment to principle. In recent years, however, the civil rights movement's successes have suffered a steady erosion stemming from the right's demagogic attacks and the liberal left's loss of nerve.

The rationale for affirmative action is simply the reversal of discrimination: to improve the status and situation of blacks and other oppressed and disadvantaged groups in the United States. It should especially be afforded to blacks because they have experienced nearly two and a half centuries of slavery and a century of American-style apartheid.

Why should not blacks receive as much concern as, if not more than, Douglas Firs, snail darters, and spotted owls, to say nothing about S & L barracudas? Unfortunately, too many Americans fail to see blacks as worthy members of the political-social community. At best, the majority of Americans do not see blacks as suffering from discrimination or oppression and its vestiges. Thus, they feel exonerated and then neglect blacks further when neoconservative black pundits and liberal white writers say the fault inheres in blacks rather than in inadequate opportunity, encouragement, or support. Moreover, such reactionary or cowardly thinking perversely transforms race-specific remedies or affirmative action for past and present race-based wrongs into "reverse discrimination," as if the remedies are inflicting injuries upon whites comparable to what white discrimination inflicted upon blacks in the past. At worst, the majority of Americans do not see blacks as fully human or members of the political and social community, stereotypical ascribing to them genetically generated moral and mental deficiencies.

Of course, I am not attributing this latter position to Starr. However, Starr's apparent loss of nerve or unwillingness to characterize anti-affirmative action for what it is acquiesces to the rhetoric of Bush's Willie Hortonism, David Duke's white supremacy, and Patrick Buchanan's crypto-racism. Affirmative action has been positively beneficial not only to blacks, Hispanics, and women in America, but also to society in general, for it has propelled many individuals who otherwise would not have moved forward socially, educationally, and economically into the mainstream. ♦

Paul Starr Responds

The problem remains: With Clarence Thomas replacing Thurgood Marshall, the Supreme Court now seems virtually certain to continue down the path it followed in *Croson*, overturning affirmative action policies in employment and education in public institutions and, quite possibly, in the private sector as well. In his first months on the Court, Justice Thomas has aligned himself with Justice Scalia in a series of decisions, putting himself to the right even of Justice Rehnquist in a key case involving prisoners' rights. In an earlier Court of Appeals decision released only after his confirmation, Thomas ruled against a federal affirmative action policy giving preference to women in awards of broadcast licenses. All signs suggest, as Laurence Tribe said recently, that Justice Thomas may be "further to the right than the Bush administration expected or hoped." It is unclear to me, therefore, why Professor Tollett sees my expectations of the Court as unduly pessimistic. Without Brennan and Marshall, the Court is unlikely to produce majorities for affirmative action, except in highly restricted conditions.

In his commentary, Randall Kennedy suggests that I proposed a deal that would

have minority groups give up affirmative action in exchange for race-neutral progressive social policies and a National Endowment for Black America. But if, as I expect, the Court rules that racial preferences in the public sector are constitutionally impermissible, except as narrowly tailored remedies to demonstrated discrimination, there will be no opportunity to make a deal. Affirmative action will be sharply curtailed, and the question will be more forcefully posed than ever: What else can we do to achieve racial equality in America?

It is in this political context that we ought to view the drawbacks of affirmative action. I accept the argument of Kennedy, Cornel West, and Kenneth Tollett that affirmative action has done some good, but I object to confusing affirmative action with the entire achievement of the civil rights revolution. In any evaluation of affirmative action, the question is whether its marginal contribution to increased opportunity—beyond other civil rights measures—outweighs its marginal contribution to the perpetuation of racism by fanning white resentment and providing whites with a continued basis for believing that blacks cannot succeed on their own. Affirmative action is obviously not "solely responsible" for a racist backlash, but it contributes to it. Recognizing its perverse social and political effects, along with its limited impact on alleviating poverty, ought to encourage us to see a Supreme Court decision, not as the end of the road to equal opportunity, but as the chance to open a new path.

As Ron Brownstein points out, whites today by overwhelming margins do not accept the legitimacy of affirmative action. Of course, we can accuse them of racism whenever they voice that opposition. That will intimidate some, but it will succeed in making permanent enemies of many more. Yet, if approached on the common ground of universal policies, these same white voters might be enlisted in a coalition. This is not a loss of nerve; it is the response that

majoritarian, democratic politics forces upon us. It will be a sign of political maturity when those who defend affirmative action as morally justified distinguish between affirmative action, which is a means toward an end, and the true end of

Anyone honestly facing the judicial and political realities has to ask: What else can we do to achieve racial equality in America?

racial equality. It is not a failure of principle to look for alternative means that are more effective in achieving equality and sustaining political support. Anyone honestly facing the judicial and political realities ought to be doing that.

In addition to the emphasis on race-neutral policies that would benefit minorities on the basis of their economic position rather than race, I proposed explicit, capital reparations to black America—initially, to be supported by private philanthropy—as part of the overall strategy of “civil reconstruction.” (The combined allusion to the Civil War and Reconstruction in the title was intentional.) Kennedy objects that whites will resist providing resources to blacks whatever the means. Some will. But to many whites, affirmative action is a hidden influence in decisions about jobs and admissions that they think may be depriving them of the opportunities of a lifetime. Whether rightly or not, such policies excite their suspicion, envy, and resentment far more than do other inclusionary policies. The costs of minority institution-building would be more diffused, and the program itself is less threatening. Moreover, an emphasis on building up private institutions and civil society to foster community self-development will bring some conservative support. Again, here is a way to expand the coalition.

To be sure, this idea is certain to meet resistance; that is why I suggested private

financing as a start. But a straightforward espousal of capital reparations to black America is a case that we ought to begin making, on its merits, for the day when America is prepared to recognize its historical obligations. Discharging those obligations through capital support to institutions, rather than intervention in individual careers, offers the possibility that such a policy will help provide a more permanent, institutional foundation for black advancement. (To suggest, as a writer in *The Nation* did, that my support for capital reparations for black institutions is equivalent to supporting South African-style apartheid is a bizarre misrepresentation.) In thinking about a Supreme Court decision overturning affirmative action, I was trying to look a few years ahead. In proposing reparations, I was trying to look ahead much further than that. In the face of a hostile Court, the advocates of racial equality who disagree with the approach I suggested will have to come up with their own ideas of what to do without affirmative action. ♦

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